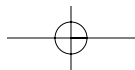
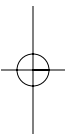
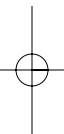
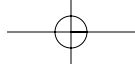


Principles of Auditing and Other Assurance Services



Principles of Auditing and Other Assurance Services

Fifteenth Edition

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DePaul University*

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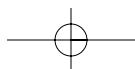
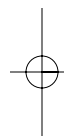
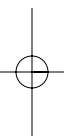
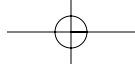
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O. Ray Whittington, CIA, CMA, CPA, serves as the Ledger and Quill Director of the School of Accountancy at DePaul University. He received his B.B.A., M.S., and Ph.D. degrees from Sam Houston State University, Texas Tech University, and the University of Houston, respectively. Professor Whittington is an active textbook author on the subjects of auditing and audit sampling. He has also published in a variety of journals, including *The Accounting Review*, *The Journal of Accounting Research*, and *Auditing: A Journal of Practice and Theory*. He has served as a member of the Board of Regents of the Institute of Internal Auditors and has served as Chairman on the Auditing Standards Committee of the Auditing Section and the Bylaws Committee, both of the American Accounting Association. Professor Whittington was until recently a member of the AICPA Auditing Standards Board, and currently he is the President-elect of the Auditing Section of the American Accounting Association.

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Kurt Pany, CPA, CFE, is a Professor of Accounting at Arizona State University. He received his B.S., M.B.A., and Ph.D. degrees from the University of Arizona, the University of Minnesota, and the University of Illinois, respectively. He has also served as a staff accountant with Arthur Andersen and Touche Ross, as a member of the Auditing Standards Board, and as an academic fellow with the American Institute of Certified Public Accountants. Professor Pany has published articles on auditing in such journals as *The Journal of Accounting Research*, *The Accounting Review*, *Auditing: A Journal of Practice and Theory*, *The Journal of Accountancy*, and *The CPA Journal*. He is a member of and has served on various committees of the American Accounting Association, the American Institute of Certified Public Accountants, and the Arizona Society of Certified Public Accountants.



Preface

The past few years we have seen unprecedented changes in the auditing profession. These changes were precipitated by the revelation that management of a number of large public companies, including Enron and WorldCom, systematically misstated the financial statements of the companies over a number of years. As a result, we have witnessed congressional hearings about the accounting profession, the criminal conviction and liquidation of the international accounting firm of Arthur Andersen LLP, the passage of the Sarbanes-Oxley Act of 2002, and the creation of the Public Company Accounting Oversight Board, which takes from the profession the major portion of its self-regulatory authority. The goal of the fifteenth edition of *Principles of Auditing and Other Assurance Services* is to provide you with a **clear perspective of this new auditing environment**.

How do we do this?

1. **Balanced presentation.** This text provides a carefully balanced presentation of auditing and assurance theory and practice. The concepts are written in a clear, concise, and understandable manner suitable for students who have not had significant audit experience. Real company examples are integrated throughout the text to bring this material to life. Lastly, Keystone Computers & Networks, Inc., the text's illustrative audit case, is integrated into selected chapters, providing students with hands-on audit experience.
2. **Clarifying the changes to the profession.** The authors have included all the new legal and standards changes affecting the auditing profession to provide students with the most current and up-to-date auditing text available.
3. **CPA Exam Support.** The text includes both multiple choice questions and simulations aimed at helping students pass the new computerized CPA exam.
4. **Maintaining a clear perspective.** The Online Learning Center provides instructors and students with a wealth of material to help keep students up-to-date. The OLC receives daily updates from *The New York Times* and McGraw-Hill's PowerWeb so you always know the breaking news affecting the profession. The OLC also contains quizzes and other resources to help students in this course.

Just as the cover provides a clear perspective of the environment outside, *Principles of Auditing and Other Assurance Services*, 15/e, will provide students with a clear perspective of the new auditing environment.

O. Ray Whittington

Kurt Pany

Key Features of the Book

Sarbanes-Oxley Act of 2002 and the resulting **Public Company Accounting Oversight Board** profoundly affect public accountants, CPA firms, and their clients. Most notably, the public accounting profession is no longer largely self-regulating, CPAs must issue a publicly available report on the internal control of each publicly traded client, and top management must certify the company's financial statements, and provide an assessment of internal control over financial reporting. The text carefully integrates coverage of the act's nature and effects on the profession in selected chapters. Also included is coverage of financial frauds, such as those involving Enron and WorldCom, which led to passage of the act.

The first 9 chapters of the text emphasize the philosophy and environment of the profession, with special attention paid to the nature and economic purpose of auditing and assurance services, professional standards, professional conduct, legal liability, audit evidence, audit planning, consideration of internal control, audit sampling, audit documentation, and general records.

Auditor legal liability in Chapter 4 is updated based on suggestions by legal scholar Professor Marianne Jennings of Arizona State University.

Chapter 6 includes the dramatic changes required by *Statement on Auditing Standards No. 99*, "The Auditor's Consideration of Fraud in a Financial Statement Audit."

Chapters 7 and 8 reflect the profession's most recent pronouncements relating to information technology and internal control.

1. The Role of the Public Accountant in the American Economy
2. Professional Standards
3. Professional Ethics
4. Legal Liability of CPAs
5. Audit Evidence and Documentation
6. Planning the Audit; Linking Audit Procedures to Risk
7. Internal Control
8. Consideration of Internal Control in an Information Technology Environment
9. Audit Sampling

Keystone Computers & Networks, Inc., is the text's **Illustrative Audit Case**. This feature has been updated in this edition and illustrates audit methods and provides realistic, thought-provoking case exercises. Although each portion of the case is designed to stand alone, if used in combination, the case will help the student develop problem-solving skills in planning (Chapter 6), in considering internal control and testing account balances (Chapters 11 and 14), and in completing the audit (Chapter 16). The case incorporates the use of computerized accounting applications and also integrates the fundamentals of audit sampling from Chapter 9.

10. Cash and Financial Investments
11. Accounts Receivable, Notes Receivable, and Revenue
12. Inventories and Cost of Goods Sold
13. Property, Plant, and Equipment: Depreciation and Depletion
14. Accounts Payable and Other Liabilities
15. Debt and Equity Capital
16. Auditing Operations and Completing the Audit
17. Auditors' Reports
18. Integrated Audits of Public Companies
19. Additional Assurance Services: Historical Financial Information
20. Additional Assurance Services: Other Information
21. Internal, Operational, and Compliance Auditing

International Auditing Standards are discussed as appropriate. These standards are becoming increasingly significant with the development of international markets for securities.

Chapters 10 through 16 (the "procedural chapters") deal with internal control and obtaining evidence about the various financial statement accounts; they emphasize a risk-based approach to selecting appropriate auditing procedures. They also provide a description of the business risk approach to audits that has been adopted by many large CPA firms and is the approach included in the recently issued exposure draft of the proposed Statement on Auditing Standards on Risk Assessment. Chapters 10 through 16 also thoroughly integrate the requirements of SAS No. 99. Chapters 10, 11, 12, and 14 include a set of interrelated simulations similar to those included on the uniform CPA exam.

Chapter 17 presents the auditors' reporting responsibilities for audits of financial statements for both public and nonpublic companies.

Chapter 18, new to this edition, presents the details of the audit of internal control over financial reporting required for public companies.

Chapter 19 covers special reports and reports arising from accounting and review engagements.

Chapter 20 presents a variety of attestation and other assurance services. The material on attestation services describes the current professional standards. Other assurance services are included at both a conceptual and practical level.

Chapter 21's discussion of compliance auditing has been modified based on the suggestions of Mr. Norwood J. Jackson, former Deputy Controller, Office of Federal Management, U.S. Office of Management and Budget.

NEW IN THIS EDITION

The Auditing & Attestation section of the Uniform Certified Public Accountant Exam represents 4½ hours of that 14-hour examination. The AICPA indicates that each Auditing & Attestation exam will consist of multiple choice questions and two condensed case studies referred to as simulations.

New to this edition, we have prepared four interrelated simulations. These simulations are comparable in requirements to that provided by the AICPA and are included in the text itself. They are included in Chapters 10, 11, 12, and 14. Three additional interrelated simulations on the text's Web site, www.mhhe.com/whittington15e: Two of the simulations are available to students, and all three to instructors. Because they are MS Excel based, they do not require the extensive computer downloads necessary for the AICPA simulation.

CPA Simulation

10–50. The following simulation has three parts:

- Company profile
- Industry information
- Financial statements
- Questions

The company profile, industry information, and financial statements are also used as the basis for the simulations in Chapters 11, 12, and 14. Each of those chapters has a different set of questions.

Company profile:

In 20X1, Gary Sherwood founded Sherwood Stone Company (SSC). In the middle of its second year of existence, the company completed development of a large extraction pit area and constructed an aggregate processing plant which is equipped to crush, screen, and wash aggregate products. By 20X4 the sand and gravel operation was profitable and growing market conditions justified modifications and expansion. Currently, SSC produces a wide range of sand and stone products from its pit near Bisbee, Arizona. The materials it develops are composed of sand and stone materials for commercial construction and highway projects.

SSC sells to a wide variety of commercial and governmental customers, with only one of its numerous customers—Wingo Corporation—accounting for more than 5 percent of total sales. In total, Wingo has represented approximately 30 percent of sales (and receivables) for the past few years. Wingo Corporation is by far Arizona's largest street and road contractor and

Reviewers asked for multiple choice questions similar to those on the CPA exam. We have doubled the number of this type of question in each chapter, and highlighted them in the problem material.

We have added a new chapter on integrated audits of public companies (Chapter 18) and have changed the sequencing of the last chapters in the book.

Chapter 20 now includes coverage of internal auditing for Sarbanes-Oxley and the services that are performed by internal auditors.

The book is now 2-color to help highlight material in the illustrations.

We have added subtitles to the Illustrative Cases for easy reference.

We now include numbered learning objectives at the beginning of each chapter and reference them within the chapter.

Because fraud is such an important aspect of auditing today, we've included a logo wherever we talk about its implications on the auditing process.

All of the text figures are now included on the Instructor's Resource CD for easy classroom presentations.

The great volume of coverage included in the text make it ideal as the basis for not only a basic auditing course, but also for a major portion of a second semester (or quarter) course included in either a four or five year program.



FEATURES OF THIS EDITION

This text includes a variety of features to enhance the learning experience:

Illustrative Cases

Actual business and accounting examples are used to illustrate key chapter concepts. The cases are boxed and appear throughout the text. New cases have been added for recent alleged audit failures. They are now subtitled for easy reference.

Illustrative Case *Employment with Clients*

The situation in which audit clients hire audit firm personnel is difficult. On the one hand, it provides great professional opportunities for individuals who enter the public accounting profession. On the other, independence concerns have led to the restrictions presented in this section.

Questions were raised about the number of ex-Arthur Andersen employees hired by Enron Corporation prior to its collapse (see Chapter 1). Although both firms refused to disclose details, the positions and numbers of ex-Arthur Andersen employees hired by Enron seem significant. *The Wall Street Journal* reported that Enron executives who had previously worked with Arthur Andersen in auditing included its chief accounting officer, its chief financial officer, and the vice president of corporate development. The *Washington Post* indicated that, over the years Arthur

Andersen served as auditor, 86 employees left the firm and accepted positions at Enron.

In addition, questions arose as to the nature of the relationship between continuing Arthur Andersen employees and those of Enron. Again, *The Wall Street Journal* reported that Arthur Andersen auditors and consultants “shared in office birthdays, frequented lunch-time parties in a nearby park and participated in weekend fundraisers for charities. They even went on Enron employees’ ski trips to Beaver Creek, Colorado.” One Enron employee suggested that “People just thought they were Enron employees . . . they walked and talked the same way.” Consistently, the *Washington Post* reported that the chief accounting officer was the Arthur Andersen partner’s “regular golfing buddy,” and that people at Enron referred to Andersen as “Enron Prep.”

Industry Focus Cases

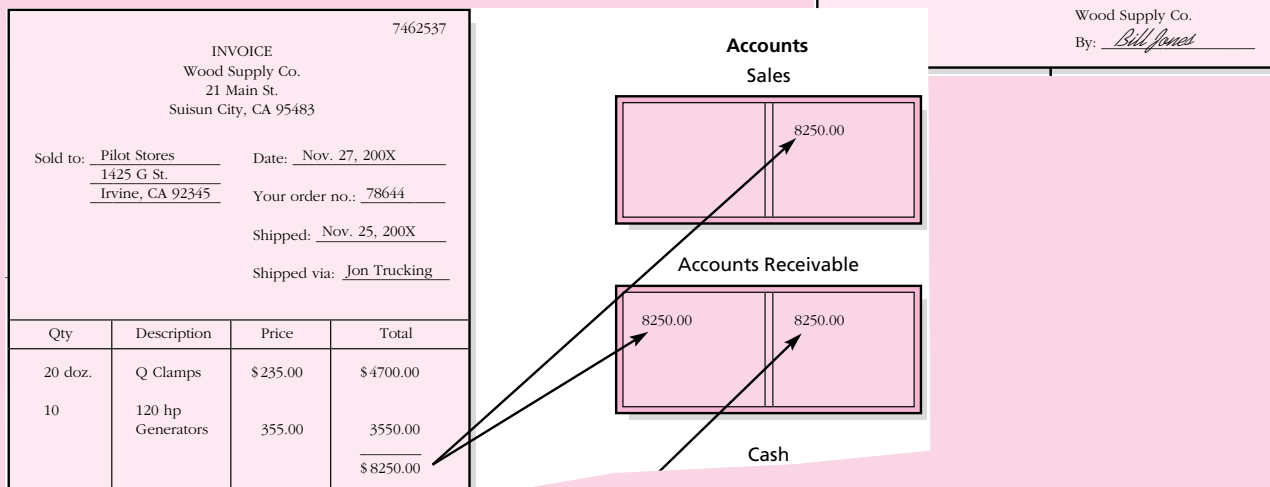
These cases use examples from specific industries to provide students with a detailed, “real world” illustration of points being emphasized in the text. These cases show the importance of having a thorough knowledge of the audit client’s business and industry. Like the illustrative cases, these cases are boxed and appear throughout the text.

Focus on the Airline Industry

Electronic ticketing has become basic to the airline industry. Under these systems a passenger may book a flight over the telephone or by computer and be assigned a reservation number rather than being issued a physical ticket. Since no ticket is created until the passenger checks in for the flight, the auditor is limited in the extent to which he or she can examine “paper” support for transactions. Accordingly, audit procedures must be developed relating to the associated revenues and receivables. Auditors often choose to test the computer controls in such situations.

Illustrative Documents

Documents included in the various procedural chapters (Chapters 10 through 16) provide concise, realistic examples of the documents associated with the various transaction cycles. See the front endpapers of this text for the complete figure.



Audit Objectives

The use of Audit Objectives is a basic tool in audit program design. These help the auditor focus on the *reason* a procedure is being done and provide a check to assure that all management assertions in the financial statements are audited.

Learning Objective 6

Primary Audit Objective:	
Valuation	<input checked="" type="checkbox"/>

Primary Audit Objectives:	
Existence	<input checked="" type="checkbox"/>
Rights	<input checked="" type="checkbox"/>

C. Perform Substantive Tests of Cash Transactions and Balances.

1. Obtain Analyses of Cash Balances and Reconcile to the General Ledger.

The auditors will prepare or obtain a schedule that lists all of the client's cash accounts. For cash in bank accounts, this schedule will typically list the bank, the account number, the account type, and the year-end balance per books. The auditors will trace and reconcile all accounts to the general ledger as necessary.

2. Send Standard Confirmation Forms to Financial Institutions to Verify Amounts on Deposit.

One of the objectives of the auditors' work on cash is to substantiate the existence of the amount of cash shown on the balance sheet. A direct approach to this objective is to confirm amounts on deposit and obtain or prepare reconciliations between bank statements and the accounting records.

Illustrations, Tables, and Flowcharts

These are used throughout to enhance and clarify the presentation. In this edition, flowcharts have been color-coded consistently to help students see and better understand the concepts.

Chapter Learning Objectives

These objectives provide a concise presentation of each chapter's most important concepts. They are now numbered and referenced in the chapter.

Chapter learning objectives

After studying this chapter, you should be able to:

- LO1. Describe the sources and nature of cash.
- LO2. Identify the auditors' objectives for the audit of cash.
- LO3. Explain the nature of the cash receipts and disbursements cycles, and describe the fundamental controls over the business processes related to cash.
- LO4. Assess inherent and fraud risks for cash.
- LO5. Assess control risk and design typical tests of controls used by auditors to support the assessed levels of control risk for cash.
- LO6. Explain how the auditors design substantive audit procedures and address the risks of material misstatement of cash.

Learning Objective 4



A. Consider the Inherent Risks of Cash, Including Fraud Risks.

Risks of material misstatement arise jointly from inherent risk and control risk. Most inherent risks relate to business risks faced by the client's management. In the area of cash and financial investments, management is particularly concerned with business risks related to the possible theft of these liquid assets. This is also a significant concern of the auditors as most misstatements of assets involve overstatement.

In addition to concerns about the overstatement of cash, auditors are aware that cash may have been improperly abstracted during the period, even though the year-end cash may be properly stated. To distinguish between the situations, assume that the client's balance sheet

Key Terms Introduced or Emphasized in the Chapter

This is a glossary of each chapter's most important terms. The terms are in color within the chapter and are defined at the end of the chapter. Placing the definitions at the end of each chapter allows the student to quickly find the meaning of unfamiliar terms while reading the material. The glossary also serves as an excellent review tool and helps the student see how well he or she understands the major ideas presented.

END-OF-CHAPTER MATERIAL

The questions, problems, case material, and simulation exercises at the end of each chapter are divided as follows: Review Questions; Questions Requiring Analysis; Multiple Choice Questions; Problems; In-Class Team Cases; Ethics Cases; Research and Discussion Cases; and CPA Simulations (selected chapters only). Appendixes to Chapters 6, 11, 14, and 16 include the case material and exercises for the Keystone Computers & Networks, Inc., illustrative audit case.

Review Questions

The Review Questions are closely related to the material in the chapter and provide a convenient means of determining whether students have grasped the major concepts and details contained in that chapter.

Questions Requiring Analysis

The Questions Requiring Analysis require thoughtful consideration of a realistic auditing situation and the application of professional standards. A number of these questions are taken from CPA and CIA examinations, and others describe actual practice situations. These questions, which are generally shorter than the problems, tend to stress value judgments and conflicting opinions.

Multiple Choice Questions

In this edition, we have highlighted Multiple Choice Questions by grouping them in a separate section. As are the Questions Requiring Analysis, many of these questions are drawn from CPA and CIA examinations.

Problems

Many of the Problems are drawn from CPA and CIA examinations. In selecting these problems, special consideration was given to ones appearing in recent professional exams. However, older questions are included when they are superior to others available.

Research and Discussion Cases

These cases involve controversial situations that do not lend themselves to clear-cut answers. Students are required to research appropriate professional literature and to then apply critical thinking skills to logically formulate and justify their personal positions on the issues involved in each case. The cases acquaint students with the professional literature, develop research and communication skills required on the new CPA exam, and demonstrate that several diverse, yet defensible, positions may be argued persuasively in a given situation.

Research and Discussion Case



- 4–41. You are a partner in the Denver office of a national public accounting firm. During the audit of Mountain Resources, you learn that this audit client is negotiating to sell some of its unproved oil and gas properties to SuperFund, a large investment company. SuperFund is an audit client of your New York office.

Mountain Resources acquired these properties several years ago at a cost of \$15 million. The company drilled several exploratory wells but found no developable resources. Last year, you and Mountain Resources agreed that the value of these unproved properties had been “impaired” as defined in paragraph 28 of *FASB 19*. The company wrote the carrying value of the properties down to an estimated realizable value of \$9 million and recognized a \$6 million loss. You concurred with this treatment and issued an unqualified auditors’ report on the company’s financial statements.

Illustrative Audit Case Exercises

These exercises all pertain to the text's updated continuing integrated case, **Keystone Computers & Networks, Inc.** While each exercise may "stand alone," when used in combination, these case exercises take the student from the original planning of an audit through the testing of controls, substantive testing, and accumulation and analysis of uncorrected misstatements. Exercises are included in Chapters 6, 11, 14, and 16.

Appendix 6C

Illustrative Audit Case: Keystone Computers & Networks, Inc.

Part I: Audit Planning

The Keystone Computers & Networks, Inc. (KCN) case is used throughout the text to illustrate audit procedures and methodology. KCN is a company that sells and installs microcomputers and networking software to business customers. The CPA firm of Adams, Barnes & Co. has audited the financial statements of KCN for the past three years. This part of the case illustrates selective audit planning working papers prepared by the staff of Adams, Barnes & Co. for this year's audit. You should read through the information to obtain an understanding of the nature of the information that is important to planning an audit engagement. The working papers include:

Spreadsheet Templates

Spreadsheet templates are available on the text's Web site to be used in conjunction with selected audit case exercises. The exercises with templates are identified by a logo in the margin.

Required:



- 6C-4. A partially completed analytical ratios working paper for Keystone Computers & Networks, Inc., is presented on page 218.
- Complete the working paper by computing the financial ratios for 20X5.
 - After completing part (a), review the ratios and identify financial statement accounts that should be investigated because the related ratios are not comparable to prior-year ratios and industry averages.
 - For each account identified in part (b), list potential reasons for the unexpected account balances and related ratios.

Ethics Cases

Ethics Cases, allow the instructor to discuss ethical issues in an integrated manner throughout the course. The cases present a series of situations which result in ethical dilemmas of the type that beginning accountants may expect to encounter in practice. These cases are included in selected chapters.

Ethics Case



- 6-42. Tammy Potter, a new partner with the regional CPA firm of Tower & Tower, was recently appointed to the board of directors of a local civic organization. The chairman of the board of the civic organization is Lewis Edmond, who is also the owner of a real estate development firm, Tierra Corporation.
- Potter was quite excited when Edmond indicated that his corporation needed an audit, and he wished to discuss the matter with her. During the discussion, Potter was told that Tierra Corporation needed the audit to obtain a substantial amount of additional financing to acquire another company. Presently, Tierra Corporation is successful, profitable, and committed to growth. The audit fee for the engagement should be substantial.

In-Class Team Cases

These cases are meant to be solved in class either by teams of students or, if the instructor prefers, by individuals. They help provide the student with an active learning environment in which to apply key concepts included in each chapter.

In-Class Team Case



- 5–56. Houseco, an audit client of Jones, CPA, for the past five years, is a manufacturer of various household products. Approximately four years ago Houseco developed a better toaster than had been available and sales took off, especially during the most recent two years, 20X7 and 20X8. Currently, the company controls approximately 25 percent of the toaster market in the United States. In addition, the company manufactures other products, including vacuum cleaners, floor polishers, and electric fondue pots.

Much of the increased sales performance is due to Donald Skaldon, who became the chief executive officer in 20X4. Donald and several other officers were able to accomplish a leveraged stock buyout in 20X6. This seems to have worked out very well since Donald suggests that his net worth grew from less than \$300,000 to well over \$5 million due to increases in the value of the common stock he holds in the company. He is also excited since the company's unaudited results show earnings per share of \$1.21, one cent more than the most optimistic analysts had projected. He points out to Jones that sales are up over 38 percent compared to the previous year and net income has increased by 54 percent. All is well.

Internet Assignments

Internet assignments are included among the end-of-chapter problem material for selected chapters. These assignments require students to use the *Internet* to do audit research and are identified with a logo in the margin.



Required:

- 6–33. SEC filings of certain public companies can be accessed from EDGAR (Electronic Data Gathering and Retrieval System), which has the following Internet address:
www.sec.gov/edgar.shtml.
- Use EDGAR to locate a company in the software industry.
 - Access the latest Form 10-K for the company and read “Management’s Discussion and Analysis” from Form 10-K.
 - Describe four significant business risks of the company as described in “Management’s Discussion and Analysis.”

SUPPLEMENTS

Web Site

Online Learning Center (OLC)
(www.mhhe.com/whittington15e)

The text Web site includes premium content for students including daily and weekly news feeds from The New York Times and PowerWeb as well as links to various sites referenced in the text and updates that reflect changes in auditing standards that have occurred subsequent to publication of the text. The student site includes interactive quizzes and solutions for each chapter to allow them to measure their mastery of key concepts. It also contains PowerPoint slides, Audit Simulations, and the Keystone Computers & Networks Case spreadsheets. The instructor site contains the text's downloadable supplements.

Study Guide

A Study Guide (ISBN 0073127612), written by the text's authors, enables students to review text material and to test their understanding. The guide includes a summary of each chapter's highlights and an abundance of objective questions and exercises. Since the guide includes answers to the questions and exercises, it provides immediate feedback to students.

Instructor's Resource CD-ROM

The Instructor's Resource CD-ROM (ISBN 0073127612) allows you to access the text's ancillary materials in one convenient CD. This includes the Instructor's Lecture Guide, the Solutions Manual, Test Bank, Computerized Test Bank, Spreadsheets, all text figures, and PowerPoint presentations.

Instructor's Lecture Guide and Solutions Manual

Our Instructor's Lecture Guide includes topical outlines of each chapter, the authors' comments on each chapter, and numerous instructional aids. A Solutions Manual includes thorough and up-to-date solutions to the text's questions, problems, and exercises. These are included on the Instructor's Resource CD and on the text's Web site.

Test Bank

The Test Bank includes both original questions and problems, and questions adapted from various professional examinations. It has been significantly expanded in this edition by the inclusion of approximately 180 additional multiple-choice and essay-type questions. This is included on the Instructor's Resource CD.

Computerized Test Bank

McGraw-Hill's EZ Test is a flexible and easy-to-use electronic testing program. The program allows instructors to create tests from book specific items. It accommodates a wide range of question types and instructors may add their own questions. Multiple versions of the test can be created and any test can be exported for use with course management systems such as WebCT, BlackBoard or PageOut. EZ Test Online is a new service and gives you a place to easily administer your EZ Test created exams and quizzes online. The program is available for Windows and Macintosh environments.

PowerPoint Presentations

PowerPoint presentations are available to assist in classroom presentations and are located on the Web site and Instructor's Resource CD.

Online Course Management WebCT, eCollege, and Blackboard

We offer Principles of Auditing content for complete online courses. You can customize the Online Learning Center content and author your own course materials. No matter which online course solution you choose, you can count on the highest level of support.

REFERENCES TO AUTHORITATIVE SOURCES

Numerous references are made to the pronouncements of the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA), the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB), the Public Company Accounting Oversight Board (PCAOB), and the Securities and Exchange Commission (SEC). Special attention is given to the *Code of Professional Conduct*, *Statements on Standards for Accounting and Review Services*, *Statements on Standards for Attestation Engagements*, *Statements on Auditing Standards*, and guidelines developed for other types of assurance services. The cooperation of the AICPA and the IIA in permitting the use of their published materials and of questions from the CPA and CIA examinations brings to the text an element of authority not otherwise available.

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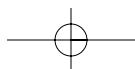
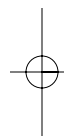
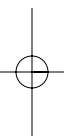
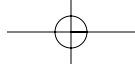
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