

**MIA QUALIFYING EXAMINATION  
STUDY GUIDE**

**AUDITING AND ASSURANCE SERVICES**

NO	CONTENT	LEVEL OF KNOWLEDGE
1	<b>AN INTRODUCTION TO AUDITING AND ASSURANCE ENGAGEMENTS</b>	A
	<b>Audit Profession and Regulatory Environment in Malaysia</b> <ul style="list-style-type: none"> <li>- The Public Accounting Profession</li> <li>- Types of services</li> <li>- Describe roles of Malaysian Institute of Accountants</li> <li>- Malaysian Accounting Standards Board</li> <li>- Securities Commission</li> <li>- Provision of Audit under Companies Act, 1965 in relation to accounting profession</li> </ul>	
	<b>Overview of other Assurance Service Engagement and Related Services</b> Meaning of: <ul style="list-style-type: none"> <li>- Assurance Engagements</li> <li>- Attestations</li> </ul>	
	<b>Quality Control for Audit Work</b> <ul style="list-style-type: none"> <li>- Regulatory framework for ensuring quality</li> <li>- Objectives of quality control policies</li> <li>- Quality control policies and procedures at the level of audit firm and on individual audits.</li> </ul>	
	<b>AN OVERVIEW OF FINANCIAL STATEMENT AUDITING</b>	
	<b>Introduction to Malaysian Accounting and Auditing Standards</b> <ul style="list-style-type: none"> <li>- Understanding importance of accounting standards</li> <li>- Understanding significance of auditing standards</li> </ul>	
	<b>Management Assertions and Audit Objectives</b> <ul style="list-style-type: none"> <li>- Understanding management assertions and their objectives in the audit of financial statements</li> </ul>	

	<b>Fundamental Concepts in Audit</b> <ul style="list-style-type: none"> <li>- True and fair</li> <li>- Materiality</li> <li>- Audit risk</li> <li>- Evidence</li> </ul>	
	<b>Overview of Audit Process</b> <ul style="list-style-type: none"> <li>- Client Acceptance and Retention</li> <li>- Establish the terms of the engagement</li> <li>- Plan the audit</li> <li>- Consider Internal Control</li> <li>- Conduct Substantive Tests</li> <li>- Completing the Audit</li> <li>- Issue the Report</li> </ul>	
<b>2</b>	<b>PROFESSIONAL CONDUCT &amp; ETHICS</b>	<b>B</b>
	<b>Ethical framework</b> <ul style="list-style-type: none"> <li>- Ethics and Professionalism</li> <li>- Theories of Ethical Behaviour</li> <li>- An Ethical Dilemma</li> <li>- Development of Moral Judgments</li> </ul>	
	<b>MIA By-Laws ( On Professional Conduct &amp; Ethics )</b> <ul style="list-style-type: none"> <li>- Fundamental Principles</li> <li>- Professional Independence</li> <li>- Competence and Due Care</li> <li>- Advertising, Publicity and Solicitation</li> <li>- Fees, Commission and Sharing of Profits</li> <li>- Confidentiality</li> <li>- Changes in Professional Appointments</li> </ul>	
<b>3</b>	<b>INITIAL ENGAGEMENT AND AUDIT PLANNING</b>	<b>B</b>
	<b>Establish Term of Engagement</b> <ul style="list-style-type: none"> <li>- Engagement letter</li> </ul>	
	<b>Understanding the Client's Business and Accounting System</b> <ul style="list-style-type: none"> <li>- Acquiring knowledge of client's business from different sources</li> <li>- Understanding client's accounting and control system</li> <li>- Audit Planning</li> <li>- Determining Audit Staffing Requirements</li> <li>- Consider Going Concern Issue</li> <li>- Establish Materiality and Audit Risk and Assess Inherent Risk</li> <li>- Assess Preliminary Level of Control Risk</li> <li>- Assess the Possibility of, Fraud and Error</li> </ul>	

	<ul style="list-style-type: none"> <li>- Understand the Applicable Laws and Regulations</li> <li>- Identify Related Parties</li> <li>- Conduct Preliminary Analytical Procedures</li> <li>- Develop an overall Audit Strategy and prepare Audit Programs</li> <li>- Consider additional value-added services</li> </ul>	
	<b>Types of Audit Tests</b> <ul style="list-style-type: none"> <li>- Tests of Controls</li> <li>- Substantive Tests</li> <li>- Dual-Purpose Tests</li> </ul>	
	<b>Analytical Procedures</b> <ul style="list-style-type: none"> <li>- Types of Analytical Procedures</li> <li>- Purpose of Analytical Procedures</li> <li>- Analytical Procedures used in planning the Audit</li> <li>- Analytical Procedure as a Substantive Test</li> <li>- Analytical Procedure used in the Overall Review</li> </ul>	
	<b>Planning and Preliminary Analytical Procedures</b> <b>Concept of Reasonable Assurance</b>	
	<b>Materiality</b> <ul style="list-style-type: none"> <li>- Steps in applying Materiality</li> </ul>	
	<b>Audit Risk</b> <ul style="list-style-type: none"> <li>- The Audit Risk Model</li> <li>- Use of Audit Risk Model</li> <li>- Relationship between Materiality and Audit Risk</li> <li>- Limitations of Audit Risk Model</li> <li>- Assessing Client Business Risk</li> </ul>	
	<b>Working Paper</b> <ul style="list-style-type: none"> <li>- Significance</li> <li>- Ownership</li> </ul>	
<b>4</b>	<b>INTERNAL CONTROL, CONTROL RISKS ASSESSMENT AND TESTS OF CONTROLS</b>	<b>A</b>
	<b>Definition of Internal Control</b> <ul style="list-style-type: none"> <li>- Definition</li> <li>- Management's Perspective</li> <li>- The Auditor's Perspective</li> <li>- Accounting System</li> <li>- Control Environment</li> <li>- Control Procedures</li> <li>- Risk Assessment and Monitoring of Internal Control</li> <li>- The effect of entity size on Internal Control</li> </ul>	

	<b>The Need for Internal Control in Planning</b> <ul style="list-style-type: none"> <li>- Planning an Audit Strategy</li> <li>- Understanding Internal Control</li> <li>- Documenting the Understanding of Internal Control</li> <li>- Assessing and Documenting the Level of Control Risk</li> <li>- Tests of Controls</li> <li>- Substantive Tests</li> </ul>	
	<b>Timing of Audit Procedures</b> <ul style="list-style-type: none"> <li>- Interim Tests of Controls</li> <li>- Interim Substantive Tests</li> </ul>	
	<b>Types of Control</b> <ul style="list-style-type: none"> <li>- Documentary</li> <li>- Authorisation</li> <li>- Segregation of duties</li> <li>- Internal check</li> <li>- Physical</li> <li>- Electronic</li> </ul>	
<b>5</b>	<b>COMPUTER INFORMATION SYSTEMS (CIS) AUDIT</b>	<b>B</b>
	<b>Matters that CIS Environment Can Effect the Audit</b> <ul style="list-style-type: none"> <li>- Study the effects of computerization on audit</li> </ul>	
	<b>Internal Control in a CIS Environment General Controls</b> <ul style="list-style-type: none"> <li>- Organisational controls</li> <li>- Systems development and maintenance controls</li> <li>- Hardware and systems software controls</li> <li>- Security and access controls</li> <li>- Operations and data controls</li> </ul>	
	<b>Application Controls</b> <ul style="list-style-type: none"> <li>- Data capture controls</li> <li>- Data validation controls</li> <li>- Output controls</li> <li>- Error controls</li> </ul>	
	<b>Auditors' Consideration on Internal Control</b> <ul style="list-style-type: none"> <li>- Overview</li> <li>- Audit Strategy Decisions</li> <li>- Substantive Strategy</li> <li>- Reliance Strategy</li> </ul>	

	<p><b>Audit using Computer-Assisted Application Techniques (CAATs)</b></p> <p>Nature and types of CAATs  Consideration on using CAATs  Common auditing software and test of data  Audit on general and application controls</p> <ul style="list-style-type: none"> <li>- Generalised Audit Software</li> <li>- Custom Audit Software</li> <li>- Test Data</li> <li>- Integrated Test Facility</li> <li>- Parallel Simulation</li> <li>- Concurrent Auditing Techniques</li> </ul>	
<b>6</b>	<b>AUDIT EVIDENCE AND PROCEDURES</b>	<b>B</b>
	<p><b>Management Assertions</b></p> <ul style="list-style-type: none"> <li>- Existence</li> <li>- Rights and obligations</li> <li>- Occurrence</li> <li>- Completeness</li> <li>- Valuation</li> <li>- Measurement</li> <li>- Presentation and Disclosure</li> </ul>	
	<p><b>Audit Objectives</b></p> <ul style="list-style-type: none"> <li>- Validity</li> <li>- Completeness</li> <li>- Cutoff</li> <li>- Ownership</li> <li>- Accuracy</li> <li>- Valuation</li> <li>- Classification</li> <li>- Disclosure</li> </ul>	
	<p><b>Basic Concepts of Audit Evidence</b></p> <ul style="list-style-type: none"> <li>- Nature</li> <li>- Appropriateness</li> <li>- Sufficiency</li> <li>- Evaluation of Audit Procedures</li> <li>- Documentation inspection</li> <li>- Physical inspection</li> <li>- Observation</li> <li>- Inquiries</li> <li>- Confirmations</li> </ul>	

	<ul style="list-style-type: none"> <li>- Computations and reperformance</li> <li>- Analytical procedures</li> </ul>	
	<p><b>Relationship of Procedures to Audit Objectives</b></p> <ul style="list-style-type: none"> <li>- Should be able to assess the relationship between audit procedure and audit objective</li> </ul>	
<b>7</b>	<b>AUDIT SAMPLING</b>	<b>B</b>
	<p><b>Requirements of ISA 530</b></p> <ul style="list-style-type: none"> <li>- Design of the Sample</li> <li>- Sample Size Determination</li> <li>- Sample Selection</li> <li>- Performance of Audit Procedures</li> <li>- Analysing Nature and Causes of Errors</li> <li>- Projecting Errors</li> <li>- Evaluation of Results</li> </ul>	
	<p><b>Sampling Techniques</b></p> <ul style="list-style-type: none"> <li>- For tests of controls and substantive test</li> </ul>	
<b>8</b>	<b>AUDITING THE REVENUE CYCLE</b>	<b>A</b>
	<p><b>Revenue Recognition and Cycle, Audit Objectives</b></p> <p>Revenue recognition</p> <p>Revenue cycle</p> <ul style="list-style-type: none"> <li>- Types of transactions and financial statement items affected</li> <li>- Types of documents and records</li> <li>- The major functions</li> <li>- The key segregation of duties</li> </ul> <p>Objectives</p> <ul style="list-style-type: none"> <li>- Test of assertions</li> </ul>	
	<p><b>Reliance on the Internal Controls</b></p> <ul style="list-style-type: none"> <li>- Describe controls in revenue cycle</li> <li>- Use by auditors of internal control checklists</li> <li>- Test of controls</li> <li>- Reporting of weaknesses in controls</li> </ul>	
	<p><b>Audit revenue – Analytical Procedure (AP) and Substantive Test (ST)</b></p> <ul style="list-style-type: none"> <li>- Substantive procedures used in obtaining evidence in relation to revenues</li> <li>- Purpose of substantive procedures to financial statement assertions concerning receivables.</li> <li>- Confirmations</li> </ul>	

	<b>Audit Accounts Receivable</b> AP & ST procedures used in obtaining evidence in relation to receivables	
	<b>Audit other Receivable, Deposits and Prepayments</b> AP & ST procedures used in obtaining evidence in relation other receivables, deposits and prepayments.	
<b>9</b>	<b>AUDITING THE PURCHASE CYCLE AND EXPENDITURE CYCLE</b>	<b>A</b>
	<b>Purchase Recognition and Cycle, Audit Objectives</b> <b>Reliance on the Internal Controls</b> <ul style="list-style-type: none"> <li>- Describe controls in payment cycle</li> <li>- Use by auditors of internal control checklists</li> <li>- Test of controls</li> <li>- Reporting of weaknesses in controls</li> </ul>	
	<b>Audit Purchase – AP &amp; ST</b> <b>Audit Accounts Payable – AP &amp; ST</b> <b>Audit Other Payable, Accruals and Provision – AP &amp; ST</b> <b>Audit Payroll – AP &amp; ST</b> <ul style="list-style-type: none"> <li>- Substantive procedures used in obtaining evidence in relation to purchases, accounts payable, other payable, accruals and provisions</li> <li>- Purpose of substantive procedures to financial statement assertions concerning purchases, accounts payable, other payable, accruals and provisions</li> </ul>	
<b>10</b>	<b>AUDITING THE PRODUCTION CYCLE</b>	<b>A</b>
	<b>Overview of Production Cycle, Audit Objectives</b> <b>Reliance on the Internal Controls</b> <ul style="list-style-type: none"> <li>- Describe controls in revenue cycle</li> <li>- Use by auditors of internal control checklists</li> <li>- Test of controls</li> <li>- Reporting of weaknesses in controls</li> </ul>	
	<b>Inventory – AP &amp; ST</b> <ul style="list-style-type: none"> <li>- Substantive procedures used in obtaining evidence in relation to inventory</li> <li>- Purpose of substantive procedures to financial statement assertions concerning inventory</li> </ul> <b>Stock Count Observation</b> <ul style="list-style-type: none"> <li>- Procedures</li> </ul>	

11	<b>AUDITING PROPERTY PLANT &amp; EQUIPMENT</b>	<b>A</b>
	<b>PPE Cycle, Audit Objectives</b> <b>Reliance on the Internal Controls</b> <ul style="list-style-type: none"> <li>- Describe controls in property, plant and equipment</li> <li>- Use by auditors of internal control checklists</li> <li>- Test of controls</li> <li>- Reporting of weaknesses in controls</li> </ul>	
	<b>Audit PPE – AP &amp; ST</b> <ul style="list-style-type: none"> <li>- Substantive procedures used in obtaining evidence in relation to property, plant and equipment</li> <li>- Purpose of substantive procedures to financial statement assertions concerning property, plant and equipment</li> </ul>	
12	<b>AUDITING LT LIABILITIES, SHAREHOLDERS EQUITY AND INCOME STATEMENT ITEMS</b>	<b>A</b>
	<b>LT Liabilities</b> <b>Share Capital</b> <b>Dividends</b> <b>Income Statement – Below The GP Line</b> <ul style="list-style-type: none"> <li>- Substantive procedures used in obtaining evidence in relation to the above items</li> </ul>	
13	<b>AUDITING CASH AND INVESTMENT</b>	<b>A</b>
	<b>Audit Cash and Bank Balances – AP &amp; ST</b> <b>Audit Investment – AP &amp; ST</b> <ul style="list-style-type: none"> <li>- Substantive procedures used in obtaining evidence in relation to the above items</li> </ul>	
14	<b>COMPLETING THE ENGAGEMENT</b>	<b>B</b>
	<b>Contingent Liability Commitment</b> <ul style="list-style-type: none"> <li>- Audit procedures for identifying contingent liabilities and commitment</li> <li>- Legal confirmation letters</li> </ul>	
	<b>Subsequent events</b> <ul style="list-style-type: none"> <li>- Purpose of subsequent events review</li> <li>- Audit procedures for subsequent events</li> </ul>	

	<b>Final Analytical Procedures</b> <ul style="list-style-type: none"> <li>- For overall review of the financial statements</li> </ul>	
	<b>Going concern</b> <ul style="list-style-type: none"> <li>- Importance of going concern review</li> <li>- Procedures to be applied in performing going concern review</li> <li>- Disclosure requirements and reporting implications relating to going concern</li> </ul>	
<b>15</b>	<b>EXTERNAL AUDIT REPORT – GROUP AND COMPANIES</b>	<b>B</b>
	Unqualified/Unmodified Audit Report Modified Audit Report <ul style="list-style-type: none"> <li>- Emphasis of matter</li> <li>- Scope limitation, disagreement</li> </ul>	
<b>16</b>	<b>INTERNAL AUDIT AND OPERATIONS</b>	<b>C</b>
	The development of internal audit Objectives, scope and responsibility of internal audit Similarity and difference between internal and external audit Concept of operational audit Objectives and scope Criteria identification on performance appraisal Role of internal audit in Risk Assessment and Management	
<b>17</b>	<b>AUDITORS’ RESPONSIBILITIES AND LEGAL LIABILITIES</b>	<b>A</b>
	Fraud and error Responsibility to comply with rules and regulations Responsibility and legal liability under the Companies Act Liabilities to clients and third parties	
<b>18</b>	<b>NON AUDIT ENGAGEMENTS</b>	<b>B</b>
	Reviews, agreed upon procedures and compilation Reporting on Prospectus and Prospective Financial Information Due diligence engagements Special purpose audits	

<b>19</b>	<b>ASSURANCE SERVICES ENGAGEMENT</b>	<b>B</b>
	The demand for Assurance Services Engagements Assurance Engagement Standard Elements of an Assurance Engagement	
	<b>Types of Assurance Engagements</b> <ul style="list-style-type: none"> <li>- Risk assessment</li> <li>- Performance measurement</li> <li>- System reliability</li> <li>- Electronic commerce</li> </ul>	