A439: Reporting Basics

Standard (Unqualified) Audit Report
- Sorry, but better memorize
- Lots of multiple choice
- Special reports vary off this one

Departures from Unqualified Report
- Separate paragraph
- Other auditors
- Conditions
- Materiality

Audit Report Review
1. For a particular entity's financial statements to be presented fairly in conformity with GAAP, it is not required that the principles selected
   A. Be appropriate in the circumstances for the particular entity.
   B. Reflect transactions in a manner that presents the financial statements within a range of acceptable limits.
   C. Present information in the financial statements that is classified and summarized in a reasonable manner.
   D. Be applied on a basis consistent with those followed in the prior year.

Audit Report Review
2. An auditor's responsibility to express an opinion on the financial statements is
   A. Implicitly represented in the auditor’s standard report.
   B. Explicitly represented in the opening paragraph of the auditor’s standard report.
   C. Explicitly represented in the scope paragraph of the auditor’s standard report.
   D. Explicitly represented in the opinion paragraph of the auditor’s standard report.

Audit Report Review
3. In which of the following circumstances would an auditor usually choose between expressing a qualified opinion or disclaiming an opinion?
   A. Departure from generally accepted accounting principles.
   B. Inadequate disclosure of accounting policies.
   C. Inability to obtain sufficient competent evidential matter.
   D. Unreasonable justification for a change in accounting principle.
4. Which type of report does the following phase come from: "In our opinion, except for the omission of the statement of cash flows . . ."  
   A. Unqualified  
   B. Qualified  
   C. Adverse  
   D. Disclaimer

5. Which type of report does the following phase come from: " . . . the scope of our work was not sufficient to enable us . . ."  
   A. Unqualified  
   B. Qualified  
   C. Adverse  
   D. Disclaimer

6. Which type of report does the following phase come from: "As discussed in Note 12, the Company changed its method of computing depreciation."  
   A. Unqualified  
   B. Qualified  
   C. Adverse  
   D. Disclaimer

7. Which type of report does the following phase come from: "We are not independent with respect to XYZ company . . ."  
   A. Unqualified  
   B. Qualified  
   C. Adverse  
   D. Disclaimer

8. Which type of report does the following phase come from: " . . . except for the effects of not capitalizing certain lease obligations as discussed in the preceding paragraph . . ."  
   A. Unqualified  
   B. Qualified  
   C. Adverse  
   D. Disclaimer

9. Which type of report does the following phase come from: " . . . based on our audit and the report of other auditors . . ."  
   A. Unqualified  
   B. Qualified  
   C. Adverse  
   D. Disclaimer
10. Which type of report does the following phase come from: “... for the year then ended were not audited by us . . .”
   A. Unqualified
   B. Qualified
   C. Adverse
   D. Disclaimer

11. Which type of report does the following phase come from: “... raises substantial doubt about its ability to continue as a going concern.”
   A. Unqualified
   B. Qualified
   C. Adverse
   D. Disclaimer

12. Which type of report does the following phase come from: “... presents fairly, in all material respects . . .”
   A. Unqualified
   B. Qualified
   C. Adverse
   D. Disclaimer

13. Which type of report does the following phase come from: “In our opinion, except for the effects of such adjustments, if any . . .”
   A. Unqualified
   B. Qualified
   C. Adverse
   D. Disclaimer

Special Audit and Other Reports
- Based on Standard Unqualified Report
- In general, if can form an opinion on the fairness of financial information, auditor can issue an opinion.
- Other Comprehensive Basis of Accounting (OCBOA) popular on exam.

Special Reports
- OCBOA
  - Basically like a regular audit
  - GAAS applicable to any financial statements
  - Report
  - Fair presentation is defined by the OCBOA employed
  - Evaluate disclosures in a manner similar to if prepared in conformity to GAAP
  - Different list of financial statements
  - Insert 3rd paragraph
Special Reports

- Specified elements
- Interim financial information
- Additional information
- Compliance engagements

Attestation Engagements

- Statements on Standards of Attestation Engagements (SSAE, referenced as AT)
- Type of Attestation Engagements
  - Anything requiring assurances that fall within our capabilities
  - Prospective financial statements
  - Pro forma financial information
  - Reports on internal control over financial reporting
  - Compliance with laws and regulations
  - Agreed-upon procedures
  - Management’s discussion and analysis

Level of service

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<th>Type of engagement</th>
<th>Amount of evidence</th>
<th>Level of assurance</th>
<th>Form of conclusion</th>
<th>Distribution</th>
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<td>Varies</td>
<td>Findings</td>
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Attest review

- The attestation standards of reporting
  1. Cover only the levels and forms of assurance that are less than those associated with an audit
  2. Cover only nonfinancial statement presentations of assertions.
  3. Are applicable when users have established the criteria against which assertions are measured.

Attest review

- Which of the following professional services would be considered an attest engagement?
  1. A consulting service engagement to provide computer processing advice to a client.
  2. An engagement to report on compliance with statutory requirements.
  3. An income tax engagement to prepare federal and state tax returns.
  4. The compilation of financial statements from a client’s accounting records.
Attest review

- Is the following procedure an appropriate agreed-up procedure to perform?
  1. Inspection of documents for attributes.
  3. Reading of the work of others to describe their findings.
  4. Evaluating the competency of another party.
  5. Interpreting documents outside the scope of the practitioner’s expertise.

Attest review

- Is the following procedure an appropriate agreed-up procedure to perform?
  6. Comparison of documents with certain attributes.
  7. General review of procedures performed by management.
  8. Checking up on the activities of employees.
  9. Confirmation of specific information with third parties.
  10. Reporting the percentage of documents signed from a sample of documents.

Attest Services Review

- True or false for an engagement expressing a standard unqualified report on a client's cash-basis financial statements.
  1. The auditor provides less assurance in the report than for a traditional audit report on GAAP based statements.
  2. The introductory paragraph identifies management’s responsibility relative to the financial statements.

Attest Services Review

- True or false for a cash basis audit?
  3. The scope paragraph is unchanged from that of a traditional audit report on GAAP based statements.
  4. The report would include a separate paragraph that states that the financial statements were prepared on the cash basis.
  5. The auditor would avoid the phrase “present fairly” in the opinion.

Attest Services Review

- True or false for a cash basis audit?
  6. The auditor would avoid the phrase “in all material respects” in the opinion.
  7. The report should have a heading indicating “Independent Auditor's Report.”
  8. The report should be dated as the date of the financial statements.

Attest Services Review

- True or false for a cash basis audit?
  9. Management should sign the report.
  10. The report should contain a statement limiting its use.
DDS Assignment 5 - Individual

- Refer to the given instructions for specifics.
- Excel: `PEARSON(x-range,y-range)`
- Results indicate how well x and y relate to each other.
- The higher the number the more they relate (i.e., correlate).

DDS Assignment 6 and 7

- **Group (requirement #1):** For the assertions given in the assignment, construct procedures to perform given the following potential errors:
  - Entry errors.
  - Misrepresentation errors.
  - Fictitious listings.
  - Omission errors.
  - Summarization errors.

  Note: Each person needs a copy of the procedures for the individual assignment.

DDS Individual Assignment

- For 6 & 7: Do requirement 2, 3, and 4 for next week. (include requirement #1)
  - For requirement 2 choose a sample size of either 30, 60, or 90.
- Assignment 8 for next week – follow directions as given, except single space.
- Take a step back and make sure you are presenting one cohesive package for the entire project.

Due dates

- Turn-in Projects 2-4 of DDS Feb. 21
- Lakeside: Read Introductory and Case 1.
- Download SAS 99 Documents
- Project proposal February 28
- Reminder that February 28th is IIA student night.
- Turn-in completed take-home quizzes. March 14
- Turn-in Projects 5-8 on March 14