

# ACC 253: Advance Auditing

Lecture hours: 150

Full Marks: 100  
Pass Marks: 35

## Course Objectives

The objective of the course is to provide conceptual and working clarity and understanding of the relevant audit procedures and techniques and increase candidate's capability to assess internal control systems to identify audit risks of auditing, various types of audit so that they can plan and perform effective and efficient audit.

## Course Description

This course contains conceptual foundation, planning an audit, internal check and control, vouching, audit of impersonal ledgers, verification and valuation of asset and liabilities, depreciation, reserve and provision, appointment, remuneration and right and duties of an auditor, audit of a limited company, audit of divisible profits and dividends, audit report, liabilities of an auditor, audit programmes and procedures of different classes of audits, investigation, government audit in Nepal, recent trends in auditing.

## Course Details

### Unit 1: Conceptual Foundation

LH 9

Nature and scope, Evolution of auditing practices in Nepal, Objectives of audit ; Detection and prevention of frauds and errors with practical dealings; Advantages and Limitation of audit; Accounting, auditing and investigation; Terms of audit engagement.

### Unit 2: Planning an Audit

LH 10

Knowledge and understanding of the organization; Audit programme: Contents of audit programme, techniques and preparation of audit programme; Tolerable error, audit risks, sampling and determinants of sample size; Audit note books: Objectives, procedures and techniques and contents of audit note books; Organization of audit staff, job description, responsibility assigned and liabilities defined, conduct of an audit work, continuous audit, periodical audit, interim audit, partial audit; Types of audit: Tax audit, cash audit, cost audit, management audit, data processing audit, scope of work to be determined, instruction to the client, preparation by the auditor, division of work, audit files, audit working papers.

### Unit 3: Internal check and control

LH 8

Concept, objective, essential characteristics, advantages and disadvantages, internal check and internal audit, effects of internal control and internal audit, auditor's duties as regard to internal check and internal control, use/adoption of distinctive ticks, routine checking, difference in balancing books, concept of test checks, advantage and limitation; Difference between statutory audit and internal audit

### Unit 4: Vouching

LH 14

Concept, importance, objectives of vouching, vouching of cash transactions, vouching of payments, vouching of receipts, vouching of sales, credit and cash sales, internal checks as regard to cash sales, cash discount allowed and return, credit sales, review of internal check system as regard to credit sales, sales on approval basis, sales under hire purchases system, goods on consignment, goods sent on package and containers, return, vouching of purchase, cash purchase, internal check as regard to cash purchase, discount received and return, credit purchase, internal check as regard to credit purchase, discount received and return.

**Unit 5: Audit of Impersonal Ledgers****LH 8**

Capital expenditure, revenue expenditure and deferred expenditure; Outstanding expenses and income, repairs and renewals; Prepaid expenses, contingent liabilities and asset.

**Unit 6: Verification and valuation of asset and liabilities****LH 13**

Concept, importance, distinction between verification and vouching, verification and valuation of assets, methods of valuation, vouching and valuation, valuation of fixed assets, current assets and wasting assets, auditor's position as regards to verification and valuation of assets, verification of liabilities, capital loans and long-term loans, trade creditors, outstanding liabilities for expenses, bills payable, contingent liabilities, confirmation and verification, concept of fair value measurement.

**Unit 7: Depreciation, reserve and provision****LH 5**

**Depreciation:** Concept and causes for depreciation, methods of depreciation, difference between fluctuation and depreciation, difference between obsolescence and depreciation, Auditor's duty in connection with depreciation.

**Reserve and Provision:** Concept of reserve and provision, need for reserve and provision, types of reserve and provision, Auditor's duty in connection with different provisions and reserves.

**Unit 8: Appointment, remuneration and right and duties of an auditor****LH 5**

**(According to Nepal Company Act and other legislations governing audit)**

Qualification of an auditor of a company, appointment and remuneration of an auditor, qualities of an auditor, rights and duties of an auditor, removal of an auditor.

**Unit 9: Audit of a limited company****LH 13**

Nature of company audit, preliminaries before company audit, statutory audit, audit of preliminary expenses, audit of statutory general meetings, review of memorandum of association and articles of association, audit of shares capital, issue of shares at par, premium and discount, issue of share for other than cash, bonus share, calls in arrear and calls in advance, forfeiture and re-issue of forfeited shares, transfer and conversion of shares, alternation of share capital; Audit of underwriting commission, transfer fees, brokerage and commission; Audit of debentures: Debentures issued at par, discount and premium, redemption of debentures, regular redemption and redemption at par, premium and discount, redemption through purchase in open market, conversion of debentures into shares.

**Unit 10: Audit of divisible profits and dividends****LH 9**

Concept of profit and divisible profit, consequences of incorrect valuation of profit; Factors affecting dividend-capital profit and revenue profit, dividend by appreciating assets including intangible assets, loss on fixed assets and dividend pre-opening profit and dividend; Dividend on preference shares: cumulative and non-cumulative preference shares, unclaimed dividend.

**Unit 11: Audit report****LH 5**

Meaning of audit report, content of audit report; Types of audit report: statutory report, general report, qualified report, tax audit report; Evaluation of audit evidence, adequacy and appropriateness of audit evidence.

**Unit 12: Liabilities of an auditor****LH 10**

Legal provision regarding liability of an auditor, auditor appointed by a private business concern, liability of a limited company auditor, civil liability, liability for negligence and misfeasance, criminal liability

**Joint audit:** Meaning, liability of joint auditor and branch auditor, liability of an honorary auditor, auditor's liability to third party.

### **Unit 13: Audit programmes and Procedures of different classes of Audits**

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#### **H 8**

Audit of educational institutions, co-operative societies, charitable institutions, NGO's and local government bodies; Audit of partnership firm: concept of partnership firm audit, procedures to be followed by a newly appointed auditor, audit on behalf of different types of partners, performance audit.

### **Unit 14: Investigation**

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#### **H 8**

Concept of investigation, difference between investigation and audit, causes for investigation and methods of investigation, identification of objectives of investigation, formulation of programme, collection and examination of records and evidence; Types of investigation, investigation on behalf of incoming partners, prospective shareholders, prospective moneylenders and suspected frauds, duties and liabilities of an investigator.

### **Unit 15: Government Audit in Nepal**

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#### **H 7**

Concept, objectives, natures and evolution, difference between government audit and commercial audit; **Internal audit:** Concept, objectives and advantages; Misappropriation and procedure for regularization, roles of Comptroller General, final audit, audit of expenditure, debts, deposit, remittance and stores, audit report; Roles of auditor General in government audit, and Public Account Committee; Directives of Office of Auditor General; Government auditing standard.

### **Unit 16: Recent trends in auditing**

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#### **H 8**

Establishment of ICAN, Accounting Standards Board, Auditing Standard Board, The Institute of Chartered Accountants Act; Roles of ICAN and AuSB in developing and promulgating auditing standards, Certificate of practice, code of ethics; Auditing Standards, concept, objective, importance and requirement of each auditing standards (mandatory, voluntary and exposure drafts).

### **Project Work**

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#### **H 10**

After the completion of fourth year concentration classes the students shall have to prepare and submit a project work in the area they have specialized. The subject teachers have to discuss with students on possible topics of the project work, availability and sources of literature, availability of data, data collection methods, appropriate tools of data analysis, etc relevant to the subject within 10 lecture hours.

### **Basic Books**

Ramaswamy, M.S., *Auditing*, New Delhi: S. Chand and Co.  
Saxena, R.G., *Principles of Auditing*, Bombay: Himalayan Publishing House.

### **References**

Dhakal, K.D., Bhattarai, I & Koirala, G.P., *The Principles and Practice of Auditing*, Kathmandu: Asmita Books Publishers and Distributors Pvt, Ltd.  
Tandon, B.N., *Practical Auditing*, New Delhi: S.Chand and Co. Pandey, D.L., *Auditing*, Kathamandu: Asia Books Distributors Pvt. Ltd. Government of Nepal, *Auditing Act, 2048 with amendments*.  
Government of Nepal, *Company Act, 2063 with amendments*. Auditing Standards Board of Nepal, *Nepal Standard on Auditing*. Website: ICAB, AuSB  
Government of Nepal; Income Tax Act, Co-operative Act, Education Act, Self Governance Act (with amendments).