Principles of Auditing & Other Assurance Services, 21e

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Chapter by Chapter Changes

Overall the PCAOB's adopted changes in its audit report are reflected as appropriate throughout the text, but primarily in chapters 17 and 18. Data analytics is incorporated in various chapters (see below). The text's continuing audit case is extended and enhanced to include document review simulations, a type of problem now included on the CPA exam. As indicated below, a number of chapters are involved relating to these author prepared simulations. Narrated PowerPoint slides provide a great start for the instructor who is developing either an online or a hybrid (online and lecture) course. The recodifications of the PCAOB Auditing Standards and the AICPA Attestation Standards are reflected.

Chapter 1 Small changes, including the aims of the current CPA exam, and other updates are included.

Chapter 2 The new audit reports of the PCAOB and the International Auditing and Assurance Standards Board are included.

Chapter 3 Additional problems are added that require students to perform research using the electronic version of the AICPA Code of Professional Conduct. These problems are similar to those on the CPA exam.

Chapter 4 No major changes.

Chapter 5 The public accounting profession is rapidly incorporating the use of sophisticated data analytics into audits. Chapter 5 presents an overview of data analysis, both in business in general and in public accounting.

Chapter 6 The discussion of materiality is simplified.

Chapter 7 The 2017 revised COSO Enterprise Risk Management Framework is incorporated.

Chapter 8 Chapter completely updated, incorporating suggestions by George Easton, PhD., Emeritus Professor of Management Information Systems, San Diego State University.

Chapter 9 Classical mean-per-unit sampling material is aligned with the current AICPA Audit Sampling Guide

and the discussion is simplified and made more intuitive. Areas in which sampling is not likely to be replaced by data analytical approaches that address an entire population are emphasized. Stand-alone sections make it possible for the instructor to choose any combination of (1) attributes sampling, (2) classical variables methods and (3) monetary unit sampling rather than covering the entire chapter. The term monetary unit sampling (MUS) replaces he term probability-proportional-to-size (PPS) sampling in Appendix 9A. Optional coverage of either IDEA or ACL is included for attribute and monetary unit sampling exercises.

Chapters 10 through 16 (procedural chapters) The internal control related sections of these "procedural chapters" are updated to increase the emphasis on current IT systems. Flowcharts are updated to include increased coverage of features found in current information systems. Challenging author prepared document review simulations are included that consistent with current CPA exam coverage (chapters 10, 11, 12 and 14). The use of data analytics is incorporated is illustrated and a number of related problems are added. New problems are incorporated throughout and a number of continuing problems are updated. Chapter 11 is updated to incorporate the Financial Accounting Standards Board's (FASB) new revenue recognition standard and related audit requirements. Chapter 13 presents details on FASB current lease requirements. Chapter 15 includes a discussion of the direct registration system for capital stock. Chapter 16 includes thoroughly updated materials on the aggregation of misstatements identified during an audit.

Chapter 17 The 2017 PCAOB changes in audit reports are fully incorporated. Appendix 17-A, new to this edition, highlights likely future changes in the Auditing Standards Board's audit reporting requirements. A detailed discussion of critical audit matters is included in PCAOB audit reports. Changes in both accounting and auditing requirements for client going concern status are presented. A document review simulation on audit reporting is included.

Chapter 18 The 2017 PCAOB changes in audit reports as they apply to PCAOB integrated audits (audits of financial statements and internal control over financial reporting) are presented.

Chapter 19 No major changes.

Chapter 20 Cybersecurity is added as a new attestation service. Figure 20.6 on service organization control (SOC) reporting is updated. WebTrust coverage is reduced due to the limited demand for the product.

Chapter 21 The revised International Standards for the Professional Practice of Internal Auditing issued in 2016 is presented as an appendix to the chapter. The compliance auditing section is updated to include the 2016 revision of the Compliance Supplement.