

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD  
(Department of Business Administration)**

**AUDITING (5545)**

**CHECKLIST**

**SEMESTER: SPRING, 2014**

This packet contains the following material:

1. Text books
2. Course outline
3. Assignment no. 1, 2
4. Assignment forms ( 2 sets)
5. Schedule for submitting the assignments

In this packet, if you find anything missing out of the above mentioned material, please contact at the address given below:-

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**(SADAR AYUB)  
Course Coordinator**

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
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**WARNING**

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

**Course: Auditing (5545)**  
**Level: MBA**

**Semester: Spring, 2014**  
**Total Marks: 100**  
**Pass Marks: 40**

**ASSIGNMENT No. 1**  
**(Units: 1–5)**

- Q. 1 Discuss the historical development of audit in Pakistan. Are you satisfied with this development or not? Explain your arguments with examples.
- Q. 2 Why the internal control system is evaluated? Discuss the system of internal control in respect of fixed assets for financial institutions.
- Q. 3 Explain the main purpose of selecting sample in audit process. Discuss the statistical and non-statistical sampling approaches in this regard. Which approach in your view is better and why? Explain your arguments with examples.
- Q. 4 Define routine checking and its role. Critically discuss the vouching procedure in the audit of a commercial bank.
- Q. 5 What do you understand by the term physical existence in auditing? Discuss the audit process for the verification of development expenditures and preliminary expenses of a private sector organization. Explain your arguments with examples.

**ASSIGNMENT No. 2**  
**(Total Marks: 100)**

**Instructions:**

1. This assignment is a research-oriented activity. You are required to develop a term paper and present the same in the classroom prior to the final examination.
2. For the preparation of this assignment, you should first thoroughly review the conceptual framework of the topic and develop a scholarly material of the same

giving references, quotations, and extracts of various scholars and experts. Then visit any business/commercial organization and study the relevant practical aspects there. Combining the theoretical and practical aspects, develop a comprehensive paper consisting of at least 20 to 25 typed pages to be presented in the class.

3. Include the following main headings in your assignment:
  - (a) Table of contents
  - (b) Introduction of the topic
  - (c) Important sub-topics
  - (d) Practical study of the organization with respect to the topic
  - (e) Review of theoretical and practical situations (gaps, merits, de-merits, deficiencies and weak area need improvement in respect to the topic under study.
  - (f) Conclusions and recommendations
  - (g) Bibliography and references in standard format
  - (h) Annex, if any
4. Prepare two copies of this assignment and submit one copy to your respective tutor and use other one for your presentation in the workshop.
5. You should prepare the transparencies, charts, or any other illustrative material for effective presentation.
6. During the presentation, reading transparencies or any other material is not allowed for becoming presentation.
7. If you fail to present this assignment in the class, then you will not be able to sit in the final examination conducted by the university.
8. You are advised to consult source material frequently. If you need any guidance, you may contact your tutor or the respective study centre in which you have been enrolled.
9. A number of topics given below are the general aspects of the course and you are required to select one of the topics according to the last digit of your roll number. For example, if the roll number is T-9337244, you will select topic number 4, and if the roll number is T-3427187 then you will select topic number 7 (the last digit).

**Topics:**

0. Role of auditor in a small scale organization
1. Audit evidence and its benefits for an auditor
2. Vouching of telephone expenses
3. Statistical sampling; a tool of audit process
4. Internal control system for purchases of raw materials
5. Audit of non-profit organization
6. Management audit
7. Profit forecasting, its benefits and limitations
8. Short Audit Report and its role for an organization
9. Verification of liabilities and its effects on organization

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**Course: AUDITING**  
**Level: MBA (2 Year) Old Scheme**

**Course Code: 5545**  
**Credit Hours: 03**

**UNIT 1 INTRODUCTION TO AUDITING**

- 1.1. Auditing: Concepts and History
- 1.2. Objectives of an Audit
- 1.3. Auditing Distinguished from Book Keeping and Accounting
- 1.4. Qualities of an Auditor
- 1.5. Professional Ethics
- 1.6. Types of Audit

**UNIT 2 INTERNAL CONTROL**

- 2.1. System of internal Control: Introduction and Significance
- 2.2. Evaluation of Internal Control
- 2.3. Types of Internal Control
- 2.4. Internal Check
- 2.5. Internal Audit
- 2.6. Practical Applications of Internal Control Systems

**UNIT 3 AUDIT SAMPLING**

- 3.1. Introduction to Sampling
- 3.2. Basis for Sample Selection
- 3.3. Sample Size
- 3.4. Methods of Sample Selection
- 3.5. Sample Evaluation
- 3.6. Sampling in Practice

**UNIT 4 VOUCHING AND EXAMINATION OF GENERAL RECORDS**

- 4.1 Vouching: Concepts and Significance
- 4.2 Distinction between Vouching and Routine Checking
- 4.3 Audit and Vouching
- 4.4 Vouching Technique
- 4.5 Vouching of Cash Book

**UNIT 5 VERIFICATION OF ASSETS AND LIABILITIES**

- 5.1 Verification: Concepts and Significance
- 5.2 Fixed Assets: Types and Valuation
- 5.3 Floating Assets: Types and Valuation
- 5.4 Wasting assets: Types and Valuation
- 5.5 Intangible Assets: Types and Valuation
- 5.6 Auditors position as regards the valuation of assets

**UNIT 6 COMPANY'S AUDITOR**

- 6.1 Auditor: Appointment and Qualifications
- 6.2 Remuneration of Auditor
- 6.3 Removal of Auditor
- 6.4 Rights, Powers and Duties of Auditor
- 6.5 Auditor's lien

**UNIT 7 MANAGEMENT AND PERFORMANCE AUDIT**

- 7.1 Management Audit: Concepts, Significance and Objectives
- 7.2 Distinction between Statutory Audit and Management Audit
- 7.3 Conduct Management Audit
- 7.4 Work and Duties of Management Auditor
- 7.5 Management Audit Report

**UNIT 8 COMPUTER CONTROLS AND AUDIT TECHNIQUES**

- 8.1 Nature of EDP system
- 8.2 Computer controls
- 8.3. Organization of an EDP Department
- 8.4 Security contorts
- 8.5 Application controls
- 8.6 Input controls
- 8.7 Processing controls
- 8.8 Output controls
- 8.9 On-line, real time system (OLRT)
- 8.10 EDP and the audit process

**UNIT 9 SPECIAL AUDIT AND INVESTIGATIONS**

- 9.1. Introduction of special audit
- 9.2. Investigations

- 9.2.1. Events necessitating an investigation
- 9.2.2. Stages of an investigation
- 9.2.3. Difference between investigation and auditing
- 9.2.4. Business purchases
- 9.2.5. Profit forecasts

**Recommended Book:**

Saeed, A.,K. (2012), “*Auditing Principles and Procedures*” Lahore. Khawaja Publications

**Additional Books**

Carmichae, R., D. (2009). *Auditing Concepts and Methods: A Guide to Current Theory and Practice*. California: The University of California.

Meigs R. L. (2010). *Auditing Principles*. New York: McGraw Hill Publications

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