

RELEVANT TO ACCA QUALIFICATION PAPER P7

### **Studying Paper P7?**

Performance objectives 17 and 18 are relevant to this exam

### **Change of syllabus**

The syllabus and study guide for Paper P7, *Advanced Audit and Assurance* has been revised, and changes will be effective from the June 2011 session. This article aims to highlight the nature of these changes and the impacts on the exams that will be set. A second article, to be published subsequently, will discuss the change in style of question, and question requirements, which will affect all versions of the paper from June 2011.

Most of the changes made are really just a 'tidying up' of the syllabus, to make the learning outcomes more streamlined, and easy to understand, and to make the syllabus less cumbersome. This tidying up process has removed a number of specific learning outcomes and combined some together. The focus of the syllabus remains the same, with planning of audit and assurance engagements, obtaining and evaluating evidence, and reaching opinions all remaining core syllabus areas. Acceptance decisions, ethical and practice management matters and current issues are also still important.

Candidates taking the UK or IRL adapted papers are advised that a new syllabus area has been added, which deals with auditing aspects of insolvency, included in Syllabus Area E (see below). These candidates should also be advised that all questions set from June 2011 will be based on International Financial Reporting Standards.

Rather than outline all of the small changes that have been made to the syllabus, it is more beneficial to consider each syllabus area in turn, consider the changes as a whole, and the impact on the way that syllabus area is likely to be examined.

### **Regulatory environment (A)**

Minimal changes have been made to this section of the syllabus. Candidates are expected to be able to apply their knowledge of laws and regulations, especially those pertaining to money laundering.

### **Professional and ethical considerations (B)**

Again, minimal changes have been made here. The application of ethical codes to client-based scenarios will remain a regularly examined topic. Candidates are reminded that few marks will be gained for rote-learned knowledge, and a clear pass can only be achieved through application of knowledge to the specific scenarios provided.

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**Practice management (C)**

No changes have been made to the learning outcomes relating to quality control, which remains an important section of the syllabus. Candidates must appreciate the significance of both firm-wide quality control measures, and those applied to an individual assignment, and must be able to critically evaluate the quality of an assignment which has been performed. Small changes have been made to the sections on advertising and tendering, and the examiner would like to confirm that candidates will not be asked to prepare the content of a proposal document, but may be asked to explain the matters that should be included in such a document. This part of the syllabus includes client and engagement acceptance, and though this section contains only two learning outcomes, the examiner would like the draw candidates' attention to this subject matter, which is an extremely important issue for accountants in practice. Candidates may be asked to reach an opinion as to whether a client or an engagement should be accepted, and to justify that opinion.

**Audit of historical financial information (D)**

The section has been streamlined, and many specific learning outcomes have been combined, removed or replaced to make the section as user-friendly as possible given its wide scope. The thrust of this syllabus area remains the same – in every examination candidates will face a variety of requirements placing them in the position of an audit manager or partner. Scenarios could be based on planning, obtaining or evaluating audit evidence. Non-audit assignments have now been moved into a separate syllabus area.

In terms of planning audit engagements, risk assessment remains important, and candidates must be able to demonstrate their ability to apply knowledge to the scenarios provided. Candidates are advised to carefully read the learning outcomes in relation to planning in order to appreciate the exact wording that has been used e.g. 'demonstrate how materiality should be applied...', 'demonstrate the use of analytical procedures'. This should indicate that candidates will sometimes be required to perform specific tasks in relation to materiality and analytical procedures.

In terms of evidence and evaluation, changes have again been made to make the learning outcomes more concise. As in previous examinations, requirements may ask candidates to recommend audit procedures, and section B questions in particular may focus wholly on the audit of a particular area (fair values, related parties and going concern have featured in past examinations). Evaluation of evidence is an important topic, and candidates must be able to consider the audit implications of evidence that has been obtained, including evaluating the sufficiency

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and appropriateness of evidence obtained, financial reporting matters and financial statement adjustments, and potential implications for the auditor's opinion.

Candidates are reminded that learning outcome D1(iii)(a) contains a list of the financial reporting topics which are examinable, and that knowledge of Paper P2, *Advanced Corporate Reporting* is assumed for this exam.

The section on group audits remains a prominent syllabus area. In particular the specific risks associated with group audits, the relationship between the principal and other auditors, and the group audit opinion are all likely to be regularly examined.

### **Other assignments (E)**

Many of the specific learning outcomes have been removed, but the key principles are retained. Candidates must understand the various types of non-audit, and assurance assignments which accountants in practice may be asked to perform. The specific types of engagement referred to in the syllabus include due diligence, reviews of interim and prospective financial information and forensic investigations.

The sections dealing with internal audit and outsourcing have been revised and reduced in the number of learning outcomes contained, with the effect of focussing the syllabus on the impacts of both on the external auditor.

An additional set of learning outcomes relating to auditing aspects of insolvency have been added for candidates taking the UK and IRL adapted papers. Candidates may be required to advise clients on matters relating to liquidation or administration, including discussing the options available to a company in financial distress, and the consequences of those options for the company and its stakeholders.

### **Reporting (F)**

Minor amendments have been made here, and there is no change in substance to this part of the syllabus, which remains a key topic. Candidates are advised to carefully read all the learning outcomes, especially in relation to auditor's reports. Candidates will not be asked to draft an auditor's report, but must still be familiar with the form and content of both modified and unmodified auditor's reports in order to be able to critically evaluate a given auditor's report, or recommend and justify an opinion in a given situation.

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### **Current issues and developments (G)**

As ever, candidates are advised to read widely to develop an understanding of current issues facing accountants and auditors in practice. The syllabus content has been pared down, as requirements on current issues tend to be driven by issues in the real world, rather than by following a set syllabus. However, the syllabus retains a useful framework for considering the type of current issues that are relevant such as recent International Auditing and Assurance Standards Board (and Auditing Practices Board for UK and IRL candidates) developments, social and environmental issues which are becoming ever-more relevant to companies, developments in relation to ethical codes, and the impact of all of these on audit and assurance providers.

### **Conclusion**

Candidates should not view the revised syllabus as something very different in substance. With the exception of the insolvency section for UK and IRL candidates, there are no major additions to the syllabus. However, all candidates should be aware that the subtle changes made to some of the learning outcomes mean that the syllabus will be examined in a more practical, applied way. This will be discussed in a forthcoming article which will look at the style of questions which will be set from June 2011 onwards.

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