

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 1) As businesses become more complex and need more reliable information, public accountants play a vital role in: 1) \_\_\_\_\_
  - A) providing assurance on information other than financial reports.
  - B) providing tax services.
  - C) providing business advisory services.
  - D) all of the above
  
- 2) Auditors are valued for their experience in assisting companies to improve operations and: 2) \_\_\_\_\_
  - A) competence.
  - B) independence in providing assurances.
  - C) technical knowledge.
  - D) all of the above
  
- 3) Auditors often make and help implement recommendations that improve profitability by: 3) \_\_\_\_\_
  - A) improving operational controls.
  - B) reducing errors and fraud.
  - C) enhancing revenue or reducing costs.
  - D) all of the above
  
- 4) The process of recording, classifying, and summarising economic events in a logical manner for the purpose of providing financial information for decision making is: 4) \_\_\_\_\_
  - A) accounting.
  - B) auditing.
  - C) finance.
  - D) economics.
  
- 5) To operate effectively, internal auditors must be: 5) \_\_\_\_\_
  - A) independent of the line functions within an organisation.
  - B) contracted by the organisation subject to audit.
  - C) members of either the Institute of Chartered Accountants in Australia or CPA Australia.
  - D) registered with ASIC and meet minimum professional development requirements.
  
- 6) Any service in which the public accounting firm issues a written communication expressing a conclusion with respect to the reliability of a written assertion that is the responsibility of another party is: 6) \_\_\_\_\_
  - A) an accounting and bookkeeping service.
  - B) an attestation service.
  - C) a management advisory service.
  - D) a tax service.
  
- 7) Which of the following is NOT an attestation service? 7) \_\_\_\_\_
  - A) Other attestation services
  - B) Audit
  - C) Compilations
  - D) Review
  
- 8) Which of the following is NOT a cause of information risk? 8) \_\_\_\_\_
  - A) Large volumes of data
  - B) Complex exchange transactions
  - C) Remoteness of information
  - D) Inaccurate financial statements
  
- 9) Which of the following services provides no assurances about the client's financial statements? 9) \_\_\_\_\_
  - A) Compliance
  - B) Audit
  - C) Review
  - D) None of the above; all provide some level of assurance.

- 10) Which one of the following is NOT one of the six objectives of quality control? 10) \_\_\_\_\_  
A) Leadership responsibilities B) Ethical requirements  
C) Monitoring D) Professional development
- 11) The main purpose of the Corporations Act is to: 11) \_\_\_\_\_  
A) ensure that auditors conducting financial statement audits are registered.  
B) establish appropriate corporate governance mechanisms to promote appropriate decision making by participants and managerial accountability to shareholders.  
C) give legislative backing to the Australian Securities Exchange's Listing Rules.  
D) develop and promulgate approved accounting standards.
- 12) Which of the following is a form of evidence used by auditors? 12) \_\_\_\_\_  
A) Written communication obtained from entities outside the audit client  
B) Oral statements from the audit client  
C) The auditor's own observations  
D) All of the above
- 13) Providing quantitative information that management and others can use to make decisions is the function of: 13) \_\_\_\_\_  
A) auditing. B) accounting.  
C) finance. D) management information systems.
- 14) An audit of historical financial statements is a form of: 14) \_\_\_\_\_  
A) attestation service in which the auditor issues a written report expressing an opinion about whether the financial statements are in material conformity with accounting standards.  
B) assurance service in which the auditor issues a written report expressing an opinion about whether the financial statements are in material conformity with auditing standards.  
C) attestation service in which the auditor issues a written report expressing an opinion about whether the financial statements are in material conformity with auditing standards.  
D) none of the above
- 15) Privately held companies have annual financial statement audits: 15) \_\_\_\_\_  
A) external users rely on it.  
B) to obtain financing from banks.  
C) because they are required to under the Corporations Act.  
D) all of the above
- 16) Publicly traded companies have annual financial statement audits: 16) \_\_\_\_\_  
A) external users rely on it.  
B) to obtain financing from banks.  
C) because they are required to under the Corporations Act.  
D) all of the above
- 17) A typical objective of a performance audit is for the auditor to: 17) \_\_\_\_\_  
A) make recommendations for improving operational performance.  
B) evaluate the feasibility of attaining the entity's operational objectives.  
C) determine whether the financial statements fairly present the entity's operations.  
D) report on the entity's relative success in attaining profit maximisation.

- 18) An audit of financial statements is conducted to determine whether the: 18) \_\_\_\_\_  
A) organisation is operating efficiently and effectively.  
B) overall financial statements are stated in accordance with specified criteria.  
C) auditee is following specific procedures or rules set down by a peer group authority.  
D) none of the above
- 19) An examination of part of an organisation's procedures and methods for the purpose of evaluating efficiency and effectiveness in the manufacturing department is what type of audit? 19) \_\_\_\_\_  
A) Compliance audit  
B) Production audit  
C) Financial statement audit  
D) Performance audit
- 20) An audit to determine whether the auditee is following specific procedures or rules set down by some higher authority is classified as: 20) \_\_\_\_\_  
A) a compliance audit.  
B) an audit of financial statements.  
C) an operational audit.  
D) a production audit.
- 21) Which one of the following services provides a moderate level of assurance about the client's financial statements? 21) \_\_\_\_\_  
A) Review  
B) Compliance  
C) Audit  
D) Forecasts and projections
- 22) Assessing that a company's policies effectively ensure the company's compliance with environmental standards and laws is: 22) \_\_\_\_\_  
A) an example of an assurance service.  
B) part of the internal auditor's responsibilities.  
C) part of the financial statement audit process.  
D) an example of a business performance measurement service.
- 23) The criteria for evaluating quantitative information vary. For example, in the audit of historical financial statements by public accounting firms, the criteria are usually: 23) \_\_\_\_\_  
A) regulations of the Australian Securities and Investment Commission.  
B) regulations of the Australian Taxation Office.  
C) applicable accounting standards.  
D) generally accepted auditing standards.
- 24) In 'auditing' accounting data, the primary concern is with: 24) \_\_\_\_\_  
A) analysing the nonfinancial information to be sure that it complies with government requirements.  
B) determining if taxable income has been calculated correctly.  
C) determining whether recorded information properly reflects the economic events that occurred during the accounting period.  
D) determining if fraud has occurred.
- 25) Which of the following is NOT a category of Auditing Standards? 25) \_\_\_\_\_  
A) Ethical requirements  
B) Audit conclusions and reporting  
C) General principles and responsibilities  
D) Risk assessment and response to assessed risks

- 26) Statements of Auditing Standards (ASAs) are issued by: 26) \_\_\_\_\_  
 A) CPA Australia.  
 B) Australian Auditing and Assurance Standards Board.  
 C) the Institute of Chartered Accountants in Australia.  
 D) the Australian Securities Exchange.
- 27) In response to the growing need for assurance resulting from the explosion of business transacted electronically over the Internet, the AICPA created: 27) \_\_\_\_\_  
 A) *Internet Reliability Assurance Services.*                      B) *Information System Reliability Services.*  
 C) *AICPA WebPartner Assurance Services.*                      D) *Webtrust Assurance Services.*
- 28) Which one of the following is NOT a means of reducing information risk? 28) \_\_\_\_\_  
 A) Sharing the risk with management  
 B) Providing audited financial statements  
 C) Independent verification by the user  
 D) Implementing a system of quality control
- 29) Which one of the following statements is NOT true about audit reports? 29) \_\_\_\_\_  
 A) They all follow the same form.  
 B) They differ in nature.  
 C) They communicate the auditor's findings to users.  
 D) They are prepared as the final stage of the audit process.
- 30) Firms providing audit services can be incorporated provided: 30) \_\_\_\_\_  
 A) the total income of the audit firm is above \$2M.  
 B) they obtain appropriate and adequate professional indemnity insurance.  
 C) all partners are listed as directors.  
 D) they are not large partnerships.
- 31) Auditing standards (ASAs): 31) \_\_\_\_\_  
 A) establish mandatory requirements.  
 B) have the 'force of law' under the *Corporations Act 2001*.  
 C) are issued by the AUASB.  
 D) all of the above
- 32) Which one of the following is NOT required in order to become a registered company auditor with ASIC? 32) \_\_\_\_\_  
 A) Sufficient practical experience  
 B) Membership of ICAA, CPA Australia or another prescribed body  
 C) Satisfying the Commission that the applicant is a fit and proper person to be so registered  
 D) Evidence that adequate professional indemnity insurance is held
- 33) A compilation report: 33) \_\_\_\_\_  
 A) is a review of an audit providing a low level of assurance.  
 B) provides no assurance to third parties.  
 C) communicates an auditor's findings to a special user group that commissioned the audit.  
 D) is prepared during a taxation audit.

- 34) Which one of the following was NOT an objective of the Institute's Quality Review Program? 34) \_\_\_\_\_  
A) Increased returns to accounting firms                      B) Reduced need for costly peer reviews  
C) Enhanced client service    D) Risk reduction
- 35) The impact of e-commerce on public accountants who perform audits of such entities is that: 35) \_\_\_\_\_  
A) audit firms now must have information technology experts as partners in audit firms.  
B) auditors now need to be experts in e-commerce and information technology.  
C) auditors must decline to accept the audit of such entities and leave non-audit organisations to perform these audits.  
D) auditors now need a basic knowledge and understanding of e-commerce and information technology.
- 36) A performance audit: 36) \_\_\_\_\_  
A) reviews operating procedures and methods.  
B) evaluates the client's business strategies and processes.  
C) determines whether financial statements are in accordance with accounting standards.  
D) determines whether specific provisions are being complied with.
- 37) A strategic system audit approach assists the auditor to: 37) \_\_\_\_\_  
A) evaluate audit evidence.  
B) determine which areas of the audit to focus on.  
C) identify risks associated with the financial statements.  
D) all of the above
- 38) Business performance measurement services involve: 38) \_\_\_\_\_  
A) using a balanced scorecard, the board of directors and managers define an entity's financial objectives and goals.  
B) assurance about whether financial and nonfinancial information being reported from the entity's performance measurement system is reliable.  
C) assurance about whether nonfinancial information being reported from the entity's performance measurement system is reliable.  
D) none of the above
- 39) Which one of the following is more difficult to evaluate objectively? 39) \_\_\_\_\_  
A) Presentation of financial statements in accordance with applicable accounting standards  
B) Compliance with government regulations  
C) Efficiency and effectiveness of operations  
D) All of the above are equally difficult.
- 40) Which of the following can be regarded as being solely 'compliance' audits? 40) \_\_\_\_\_  
A) Determining if bank requirements for loan continuation have been met  
B) Evaluating whether a computerised payroll system is operating effectively  
C) An internal auditor's review of his employer's noncurrent asset purchases  
D) Auditor-General's examinations of the returns of taxpayers
- 41) Which of the following can be significantly affected by an audit? 41) \_\_\_\_\_  
A) Business risk    B) Information risk  
C) The risk-free interest rate    D) All of the above

- 42) An internal auditor should ideally report to: 42) \_\_\_\_\_  
 A) the external auditors. B) the chief finance officer.  
 C) the ASIC. D) the audit committee.
- 43) To operate effectively, internal auditors: 43) \_\_\_\_\_  
 A) are independent of the line functions in an organisation.  
 B) report on the financial statements of the organisation.  
 C) are independent of the organisation.  
 D) none of the above
- 44) 'Other assurance services' are similar to, yet differ somewhat from, attestation services. When performing 'other assurance services,' the public accountant: 44) \_\_\_\_\_  
 A) is not required to issue a written report, and the assurance is about the completeness and sufficiency of information.  
 B) is not required to issue a written report, and the assurance is about the reliability and relevance of information.  
 C) is required to issue a written report, and the assurance is about the reliability and relevance of information.  
 D) is required to issue a written report, and the assurance is about the completeness and sufficiency of information.
- 45) If an auditor has determined that the client has an excellent internal control structure: 45) \_\_\_\_\_  
 A) business risk is significantly reduced.  
 B) the type of evidence required changes, but not the quantity.  
 C) the amount of audit evidence to be collected might be reduced relative to a situation where the control structure is not adequate.  
 D) the auditor can conclude that there is reasonable assurance that the financial statements do not contain material misstatements.
- 46) Which one of the following is NOT a cause of information risk? 46) \_\_\_\_\_  
 A) Unexpected increased competition within the industry  
 B) Implementing quality control within the public accounting firm  
 C) Remunerating management with a bonus scheme linked to reported income  
 D) Complex foreign exchange transactions
- 47) An auditor could determine how many items need to be selected from the population for a particular audit test by consulting: 47) \_\_\_\_\_  
 A) ASA 500. B) ASA 530.  
 C) ASA 300. D) none of the above
- 48) The International Standards on Auditing (ISAs) are issued by: 48) \_\_\_\_\_  
 A) International Quality Control Association.  
 B) International Federation of Accountants.  
 C) International Institute of Internal Auditors.  
 D) United States Securities and Exchange Commission.
- 49) Public accounting firms utilise online resources and databases to: 49) \_\_\_\_\_  
 A) obtain industry data useful for auditing.  
 B) stay current with emerging business issues.  
 C) stay current with emerging standard setting issues.  
 D) all of the above

- 50) One consequence of CPA Australia's Quality Assurance Program is likely to be: 50) \_\_\_\_\_  
A) a provision of information to practitioners that can enhance service quality.  
B) an increase in disciplinary actions taken.  
C) a reduction in management consulting services provided by public accounting firms.  
D) a reluctance by public accounting firms to take on higher risk audit clients.

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 51) **Assurance services** are independent professional services that improve the quality of information for decision makers. 51) \_\_\_\_\_
- 52) An **attestation service** is a type of assurance service in which the public accounting firm issues a written communication that expresses a conclusion about the reliability of a written assertion of another party. 52) \_\_\_\_\_
- 53) The criteria by which an auditor evaluates the information under audit is the same for every audit. 53) \_\_\_\_\_
- 54) The criteria used by an external auditor to evaluate published financial statements are known as generally accepted auditing standards. 54) \_\_\_\_\_
- 55) The primary purpose of a performance audit is to evaluate whether an organisation is complying with its operating procedures and methods. 55) \_\_\_\_\_
- 56) Information risk increases as business organisations become larger. 56) \_\_\_\_\_
- 57) The primary purpose of a compliance audit is to determine whether the overall financial statements are in compliance with generally accepted accounting principles. 57) \_\_\_\_\_
- 58) Results of compliance audits are typically reported to the Auditor-General. 58) \_\_\_\_\_
- 59) The primary role of the Auditor-General is the enforcement of the federal tax laws as defined by Parliament and interpreted by the courts. 59) \_\_\_\_\_
- 60) Public accounting firms are not allowed to provide bookkeeping services for audit clients. 60) \_\_\_\_\_
- 61) Since 2004 the *Corporations Act* has provided for the issuance of auditing standards by the Auditing and Assurance Standards Board. 61) \_\_\_\_\_
- 62) Completion of *Client Evaluation* forms is an example of the quality control objective of Ethical Requirements. 62) \_\_\_\_\_

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 63) Discuss the various categories of services provided by public accounting firms. 63) \_\_\_\_\_
- 64) Explain what is meant by information risk, and discuss the four causes of this risk. 64) \_\_\_\_\_
- 65) Discuss four factors that are likely to significantly reduce information risk in the next five to ten years. 65) \_\_\_\_\_

- 66) List the six mandatory elements of a system of quality control for audit engagements listed under ASA 220. 66) \_\_\_\_\_
- 67) Discuss the advantages and disadvantages of making auditing standards more specific. 67) \_\_\_\_\_
- 68) Why are the auditing standards referred to as the 'force of law' standards? 68) \_\_\_\_\_

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 69) Two types of attestation services provided by public accounting firms are audits and reviews. Discuss the similarities and differences between these two types of attestation services. Which type provides the most assurance?
- 70) Discuss the differences and similarities between the roles of accountants and auditors. What additional expertise must an auditor possess beyond that of an accountant?
- 71) Discuss the similarities and differences between financial statement audits, performance (operational) audits and compliance audits. Give an example of each type.
- 72) Discuss the similarities and differences between the roles of independent auditors, officers serving the Auditor-General, taxation auditors and internal auditors.
- 73) To do an audit, it is necessary for there to be information in a verifiable form and some criteria by which the auditor can evaluate the information. (A) What information and criteria would an independent public accounting firm use when auditing a company's financial statements? (B) What information and criteria would a taxation auditor use when auditing that same company's tax return? (C) What information and criteria would an internal auditor use when performing a performance audit to evaluate whether the company's computerised payroll processing system is operating efficiently and effectively?
- 74) Discuss the impact of e-commerce on public accountants.



## Answer Key

Testname: UNTITLED1

- 1) D  
Page Ref: 5
- 2) D  
Page Ref: 5
- 3) D  
Page Ref: 5
- 4) A  
Page Ref: 14
- 5) A  
Page Ref: 18
- 6) B  
Page Ref: 5
- 7) C  
Page Ref: 5
- 8) D  
Page Ref: 11
- 9) A  
Page Ref: 16
- 10) D  
Page Ref: 27
- 11) B  
Page Ref: 28
- 12) D  
Page Ref: 13
- 13) B  
Page Ref: 14
- 14) A  
Page Ref: 5
- 15) B  
Page Ref: 6
- 16) C  
Page Ref: 6
- 17) A  
Page Ref: 15
- 18) B  
Page Ref: 15
- 19) D  
Page Ref: 15
- 20) A  
Page Ref: 16
- 21) A  
Page Ref: 6
- 22) A  
Page Ref: 9
- 23) C  
Page Ref: 13

## Answer Key

Testname: UNTITLED1

- 24) C  
Page Ref: 15
- 25) A  
Page Ref: 23
- 26) B  
Page Ref: 21
- 27) D  
Page Ref: 7
- 28) D  
Page Ref: 11
- 29) A  
Page Ref: 11-12
- 30) B  
Page Ref: 20
- 31) D  
Page Ref: 22
- 32) D  
Page Ref: 17
- 33) B  
Page Ref: 20
- 34) B  
Page Ref: 26
- 35) D  
Page Ref: 28
- 36) A  
Page Ref: 15-16
- 37) C  
Page Ref: 15
- 38) B  
Page Ref: 8
- 39) C  
Page Ref: 16
- 40) A  
Page Ref: 16
- 41) B  
Page Ref: 11
- 42) D  
Page Ref: 18
- 43) A  
Page Ref: 15
- 44) B  
Page Ref: 6
- 45) C  
Page Ref: 25
- 46) B  
Page Ref: 11

## Answer Key

Testname: UNTITLED1

47) B

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48) B

Page Ref: 25

49) D

Page Ref: 29

50) A

Page Ref: 28

51) TRUE

Page Ref: 5

52) TRUE

Page Ref: 5

53) FALSE

Page Ref: 13

54) FALSE

Page Ref: 13

55) FALSE

Page Ref: 15

56) TRUE

Page Ref: 11

57) FALSE

Page Ref: 16

58) FALSE

Page Ref: 16

59) FALSE

Page Ref: 17

60) FALSE

Page Ref: 9

61) TRUE

Page Ref: 28

62) FALSE

Page Ref: 26

63) Six categories of services provided by public accounting firms are:

Three Assurance Service Categories:

- *Financial Attestation services*. This category includes audits of historical financial statements and reviews of historical financial statements.
- *Other attestation services*. This category includes reporting on information technology policies and procedures.
- *Other assurance services*. This category includes reporting on information to enhance its relevance for users, such as business performance measurement services.

Three Non-Assurance Service Categories:

- *Tax services*. Tax services include the preparation of corporate and individual federal and state tax returns and tax planning.
- *Management advisory services*. These include advice on information technology requirements.
- *Accounting and bookkeeping services*. These involve preparation of financial statements.

Page Ref: 5-10

## Answer Key

Testname: UNTITLED1

- 64) Information risk is the possibility that information upon which a business decision is made is inaccurate. Four causes of information risk are:
- remoteness of information
  - biases and motives of the provider
  - voluminous data, and
  - complex exchange transactions.

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- 65) Four factors that are likely to significantly reduce information risk in the next five to ten years are:
- technological advances
  - more companies will go online, reducing the risk of investors obtaining outdated information
  - new accounting and auditing standards, and
  - auditors will find more efficient and effective audit techniques.

Page Ref: 11-12

- 66) · leadership responsibilities
- ethical requirements
  - client acceptance and continuance
  - human resources–assignment of engagement teams
  - engagement performance
  - monitoring

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- 67) Advantages:
- Provide clearer guidance for practitioners in complex areas such as evidence gathering
  - Reduce some difficult decision making
  - More defensible in court

Disadvantages:

- Makes auditing too mechanistic
- Reduces the ability to make sound professional judgement based on experience, etc.

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- 68) On 1 July 2004, the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (CLERP 9) came into effect. CLERP 9 led to amendments to the *Corporations Act 2001*, which resulted in the reconstitution of the AUASB as a statutory body under the direction of the FRC and gave auditing standards the "force of law" under the Act. Section 307A of the Act requires auditors to conduct audits and reviews of the financial reports prepared under Part 2M.3 of the Act, in accordance with auditing standards.

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- 69) Two primary types of attestation services are: audits of historical financial statements and reviews of historical financial statements. While both services involve the accumulation and evaluation of evidence regarding assertions made by management in the company's financial statements, an audit involves a more extensive examination and provides a higher level of assurance about the client's financial statements than a review.

Page Ref: 4-5

## Answer Key

Testname: UNTITLED1

70) The role of accountants is to record, classify and summarise economic events in a logical manner for the purpose of providing financial information for decision making. To do this, accountants must have a sound understanding of the principles and rules that provide the basis for preparing the financial information. In addition, accountants are responsible for developing systems to ensure that the entity's economic events are properly recorded on a timely basis and at a reasonable cost.

The role of auditors is to determine whether the financial information prepared by accountants properly reflects the economic events that occurred. To do this, the auditor must not only understand the principles and rules that provide the basis for preparing financial information, but must also possess expertise in the accumulation and evaluation of audit evidence. It is this latter expertise that distinguishes auditors from accountants.

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71) Financial statement audits, performance (operational) audits and compliance audits are similar in that each type of audit involves accumulating and evaluating evidence about information to ascertain and report on the degree of correspondence between the information and established criteria. The differences between each type of audit are the information being examined and the criteria used to evaluate the information. An example of a financial statement audit would be the annual audit of IBM Corporation, in which the external auditors examine IBM's financial statements to determine the degree of correspondence between those financial statements and applicable accounting standards. An example of a performance audit would be an internal auditor's evaluation of whether the company's computerised payroll-processing system is operating efficiently and effectively. An example of a compliance audit would be an ATO auditor's examination of an entity's tax return to determine the degree of compliance with the Tax Legislation.

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72) The roles of all four types of auditors are similar in that they involve the accumulation and evaluation of evidence about information to ascertain and report on the degree of correspondence between the information and established criteria. The differences in their roles centre around the information audited and the criteria used to evaluate that information. Independent auditors primarily audit companies' financial statements. The Auditor-General's primary responsibility is to perform the audit function for Parliament. Taxation auditors are responsible for the enforcement of federal tax laws. Internal auditors primarily perform performance and compliance audits for their employing company.

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73) (A) The information used by a public accounting firm in a financial statement audit is the financial information in the company's financial statements. The criteria used are applicable accounting standards.

(B) The information used by a taxation auditor is the financial information in the auditee's annual tax return. The criteria are the relevant tax legislation and interpretations.

(C) The information used by an internal auditor when performing a performance audit of the payroll system could include various items such as the number of errors made, costs incurred by the payroll department and number of payroll records processed each month. The criteria would consist of company standards for departmental efficiency and effectiveness.

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## Answer Key

Testname: UNTITLED1

74) Almost all businesses rely on information technology to assist in accounting for business transactions. Advances in information technologies and the expansion of the Internet continue to introduce new ways for conducting business electronically, often referred to as **e-commerce**. As these developments continue, businesses will expand their reliance on those technologies.

To help public accountants understand emerging technology issues, the AICPA Top Technology Task Force annually releases its top 10 list of technology issues, applications and emerging technologies destined to have a significant impact on business in the year ahead. Information security has been one of the top issues for the past five years. Two issues have made their first appearance on the 2008 list, demonstrating the rate of continuing change in technologies. These are:

1. Business process improvement, workflow, and process exceptions alerts
2. Mobile and remote knowledge management

The rapid development of new methods of conducting business and processing information affects all aspects of assurance services. Public accountants who perform audits or provide other assurance services about information generated with these emerging technologies need a basic knowledge and understanding of information technology and e-commerce. Although public accountants don't need to be experts on the detailed complexities of these systems, they need to understand how key technologies are transforming all aspects of business and affecting the services public accountants provide. Public accountants also need to understand how information technology in hardware, software, communications, and the Internet can be used to provide assurance services. Knowledge about e-commerce technologies is necessary to identify and respond to risks in information generated by these emerging technologies. Like all industries, public accounting firms are using the Internet to market their services. Firms of all sizes use the Internet to highlight such things as office locations or affiliations, and service lines and industry specialisations, and to provide reference tools and materials to existing and potential clients. Firm websites feature news on and insights into business issues, such as updates on changes in tax laws and interactive forms to determine which type of retirement account to choose. Firm websites also feature online software tools and databases to subscribers who pay a fee. For example, Ernst & Young sells its *Accounting and Auditing Tool Kit* to subscribers through its Ernst & Young *Online* website. PricewaterhouseCoopers, LLP, through an alliance with Watchfire, offers a privacy management software tool, *WatchfireWebCPO*, that provides protection to online information.

Public accounting firms also use the Internet to connect their global professional staff. Firm personnel from around the world can contribute services to a client on a timely basis without having to be physically present at the client's location. Electronic communication among firm personnel is especially advantageous for firms that serve multinational clients with operations around the globe.

For example, personnel in New York, Tokyo and London who have expertise in local regulations and business cultures can serve local clients and branches of international clients with operations in those cities, and can also communicate with engagement team personnel serving those clients in other locations.

Public accounting firms are also taking advantage of online resources and databases that can be accessed through the Internet. These resources are useful to public accountants for staying current on emerging business and standards-setting issues. Databases provide extensive industry-specific information and coverage of companies that public accountants use on a subscription basis to stay current on industry developments and to obtain industry data useful for auditing and consulting.

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