ACCA P7 - Hot topics for the coming June 2013 exam

THESE ARE JUST GUESSES. USUAL HEALTH WARNING APPLIES – USE AT YOUR OWN RISKS! (compiled by Fung CK, FTMS Singapore)

Likely to have a question on identifying principal audit risks. See latest Dec 2011 Q1ai on using ratios for audit risks and June 2010 Q1a. Practice all other audit risks questions from the previous examiner (ie before Dec 2007).

Be prepared for risk of material misstatements (previously known as FS risks). See latest April 2012 article on the new term “risk of MM” and practice Dec 2008 Q1a, Dec 2009 Q1c, Dec 2010 Q1b, June 2011 Q1ai and June 2012 Q1a.

Roles of audit committee (= Functions of AC) and impact of AC on audit practice.

Internal auditing – Reliance on IA, Evaluating IA function and evaluate adequacy of IA work, outsourcing IA issues to consider (from audit firm’s point of view, from company’s point of view), advantages and disadvantages of outsourcing IA to external audit firm. See Dec 2006 Q2 and June 2010 Q2.

Accounting problems/issues (P7 pilot Q2, and from Dec 2007 usually in Q3) focusing on the recent 3 years for this type of question - Important areas include audit of provision (including warranty and decommissioning provision) deferred tax, lease, share-based payments, government grants, intangible assets (R&D cost). Read Lisa’s article on how to tackle this type of accounting question in her article (where she talked about Type 1 vs Type 2 questions. Look out for the audit of accounting estimates and fair value (latest article in Jan 2011).

Use of analytical procedures – Factors to consider when deciding the extent of use and reliance on analytical procedures in testing (see Dec 2011 Q1a for use of AP, and Dec 2009 Q1a). Read up the Sept 2010 article on this topic. Although just tested in Dec 2009 Q1a and Dec 2011 Q1a, better to read thro the article and review June 2004 Q1c, June 2006 Q1c and Dec 2006 Q1b.

Ethical issues facing the auditor – practice lots of the old paper 3.1 Q5 and take note of confidentiality. (Identify circumstances in which the disclosure is permitted or required and discuss the factors, which may justify disclosure under public interest). Conflict of interest too. (See Dec 2008 Q4, June 2009 Q4, June 2010 Q4) Take note of advertising ethics too (See Dec 2010 Q4a, Dec 2009 Q4b)

QC is important – can be linked to ethical issues above and how ethical conflicts can affect quality of work.

Assurance engagement – See latest Jan 2013 article. A possible question like factors to consider when accepting assurance services (see June 2011 Q3a, Dec 2010 Q2, June 2009 Q2) Different kinds of assurance services like KPI, PFI and Due diligence – which one? Due diligence is important - See June 2011 Q4, June 2008 Q2, Dec 2007 Q3, June 2006 Q2 and June 2005 Q2 on due diligence. What procedures will you perform to do a due diligence, use of enquiry and analytical procedures in conducting due diligence. And last but not least the type of report we provide. See latest June 2012 Q2.

Almost certainly a question on audit reporting – Emphasis of matter (June 2010 Q5), adverse and except for opinion. Practice lots of past paper Q5, and the older 3.1 paper (before December 2007 exam) Q4b on audit report.

Subsequent events – See Dec 2009 Q5 and review Dec 2010 Q3c. Read up the article in April 2011.

Related party – See Dec 2011 Q2aiii, June 2011 Q1b.

Legal liability of auditor – Duty to client and to third parties, circumstances under which auditors will get sued (discuss due care, proximity test, negligence) Insurance for auditors – two types, advantages and disadvantages of buying insurance. See June 2010 Q5.

Going concern - Read up the recent September 2012 article on going concern. (Although that is written for paper F8, going concern is usually a risk item in Q1 case study, so we need to be aware of our responsibility and the procedures to perform on going concern (see June 2011 Q2, June 2010 Q3 and Dec 2008 Q5)

Read up the article in January 2013 on internal control (5 components of IC). Will probably have a theory question on this.

And lastly, look out for any relevant P7 article(s) from March to May 2013.

THE END