

THE CPA LICENSURE EXAMINATION SYLLABUS
AUDITING PROBLEMS
(Effective October 2006 Examination)

This subject tests the candidate's proficiency in applying audit standards, techniques, and procedures to a typical independent audit of a medium-sized service, trading or manufacturing concern. Candidate shall be able to plan and perform an audit, analyze data for possible errors and irregularities, formulate adjusting entries, resolve audit issues, prepare audit working papers and complete the audit including the preparation of the audit report. In all the areas included, the candidate shall apply the Philippine Standards on Auditing (PSA) and other regulatory laws and regulations in effect at the time of examination.

The examination shall be in the form of 8 to 10 situational cases containing a minimum of 40 and a maximum of 50 multiple choice questions.

- 1.0 Audit Planning and Internal Control Consideration
 - 1.1 Application of analytical procedures in audit planning
 - 1.2 Understanding of the internal control and tests of controls
 - a. Revenue and receipt cycle
 - b. Expenditure and disbursement cycle
 - c. Production cycle
 - d. Investing and financing cycle

- 2.0 Evidence Accumulation and Evaluation – Substantive Tests of Transactions and Balances
 - 2.1 Audit of the revenue and receipt cycle
 - a. Audit of sales and revenue transactions
 - b. Audit of receivable balances
 - c. Audit of cash receipt transactions / cash balance
 - 2.2 Audit of expenditure and disbursement cycle
 - a. Audit of acquisitions and purchases
 - b. Audit of payroll transactions
 - c. Audit of cash disbursement transactions / cash balance
 - d. Audit of inventory balances
 - e. Audit of trade payable balances
 - f. Audit of prepaid expenses and accrued liabilities
 - 2.3 Audit of production cycle
 - a. Audit of conversion activities
 - b. Audit of inventory balances: work-in-process and finished goods
 - c. Audit of cost of goods sold balance
 - 2.4 Audit of the financing cycle
 - a. Audit of financing cycle transactions
 - b. Audit of non-trade liability balances
 - c. Audit of interest expense and finance cost balances
 - d. Audit of equity accounts
 - 2.5 Audit of investing cycle
 - a. Audit of investing transactions
 - b. Audit of investment account balances
 - c. Audit of property, plant and equipment account balances
 - d. Audit of intangible account balances
 - 2.6 Audit of cash balances

- 3.0 Completing the Audit
 - 3.1 Evaluation of related party transactions, going concern, and contingencies
 - 3.2 Evaluation of events after the balance sheet date
 - 3.3 Drafting the audited financial statements
 - 3.4 Application of analytical procedures in the overall review
 - 3.5 Drafting the audit report