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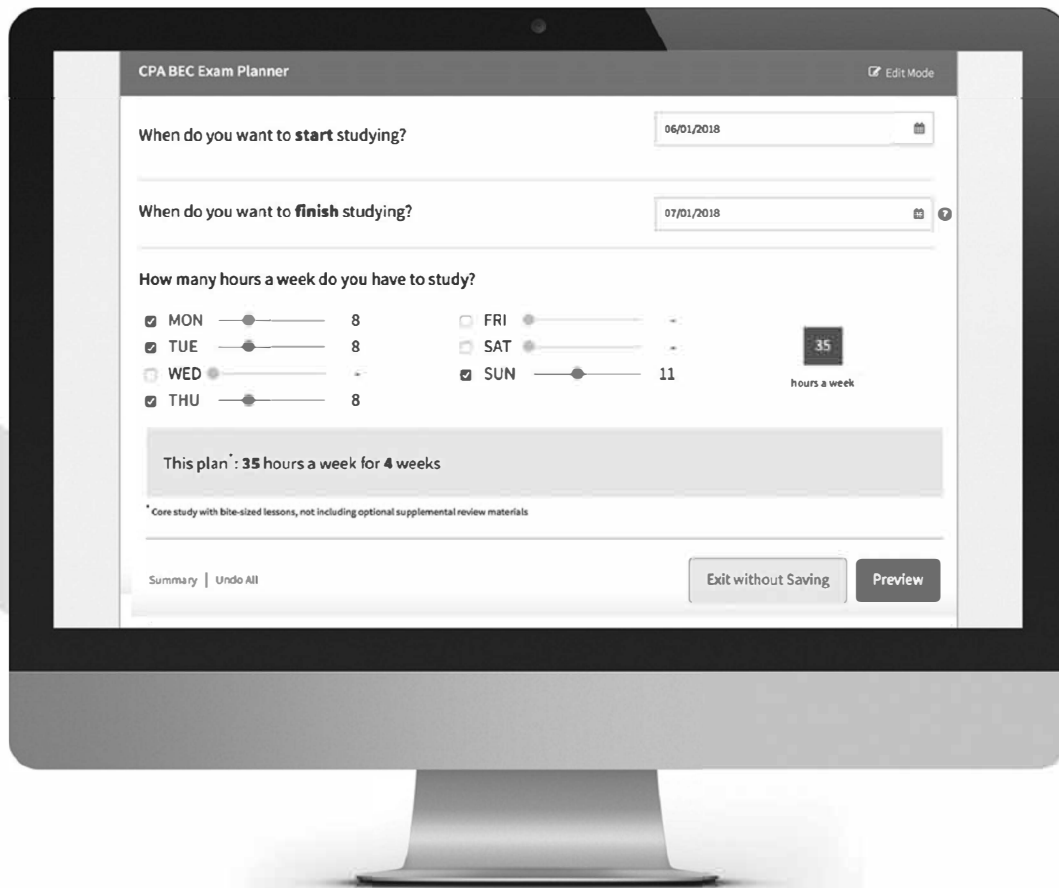
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The Wiley CPAexcel comprehensive study materials are truly exceptional. Being able to listen to the video lectures and having access to the professor mentoring made the learning process a little more interactive and effective.

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I used Wiley CPAexcel exclusively and was able to pass all four sections on the first try. The material they provide is very thorough and helped me to feel confident on exam day. The iPhone app was great and allowed me to go through practice questions at any time.

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I passed all four sections of the CPA Exam on my first attempt and feel that Wiley CPAexcel contributed a great deal to my success. Wiley CPAexcel's Bite-Sized Lessons break the voluminous CPA Exam material into small, manageable pieces.

— **Jason R, Emporia, KS**

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— **Chris O, Tamuning, Guam**

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**Wiley CPAexcel® Exam Review**

# **STUDY GUIDE**

**JANUARY 2020**

**AUDITING AND ATTESTATION**

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## About the Authors

Wiley CPAexcel® content is authored by a team of accounting professors and CPA Exam experts from top accounting colleges such as the University of Texas at Austin (frequently ranked the #1 accounting school in the country), Northern Illinois University (frequently ranked in the top 10 in its peer group and top 20 overall), and the University of North Alabama.

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# Welcome to Auditing and Attestation

Welcome to Auditing and Attestation (AUD)! This lesson is an important step in your journey to CPA exam success. This series of videos will introduce you to your professors, provide guidance in the planning, application, and registration process. In addition, there are videos that provide an overview of the exam structure, time management hints, effective study strategies, and tips on how to maximize your points. Perhaps most important, the last video is a gentle reminder of how important it is to take care of you. Scroll down to get started.

## Passing the Auditing/Attestation Part of the CPA Exam

Candidates sometimes have a misperception about the Auditing and Attestation part of the CPA examination, believing that auditing is primarily a practice-oriented part of the exam. They may believe that having had first-hand experience doing audit work is sufficient for success on this part, or that not having had such experience is insurmountable. Sometimes candidates have a false sense of security, expressing the view that “Auditing is just common sense!” However, their view often changes when they see the specificity of the CPA exam questions that focus on the relevant concepts and the applicable professional standards. Passing the auditing part of the CPA examination is fundamentally an academic endeavor. I believe that everything you need to pass is contained in Wiley CPAexcel®—all that is required is your commitment to carefully study it.

## AICPA Professional Standards

The Auditing and Attestation part of the CPA examination focuses heavily on candidates’ familiarity with the applicable AICPA Professional Standards. Because the AICPA prepares the exam, it should not be surprising that they emphasize their professional literature. Indeed, a substantial majority of the points in auditing focuses on candidates’ knowledge of the AICPA’s Statements on Auditing Standards, the Statements on Standards for Attestation Engagements, the Statements on Standards for Accounting and Review Services, and, to a lesser extent, the Statements on Quality Control Standards. The entire set of AICPA Professional Standards tested in the Auditing and Attestation area have been addressed. Of course, the PCAOB auditing standards are also “fair game” for testing and are appropriately covered in Wiley CPAexcel®.

## Wiley CPAexcel® materials

These materials strive to achieve an optimal balance between **technical depth**, covering the topics on the AICPA Exam Blueprints, and **efficiency**, focusing on the task at hand without excess verbiage and unnecessary detail. The materials emphasize the professional standards and important concepts that are the primary object of testing in the Auditing and Attestation area.

I encourage you to review the study text basically in sequence, since auditing has something of a chronological order—including planning, evidence gathering, and reporting. Read the study text carefully, and very importantly, take the time to work on the knowledge checks, the multiple-choice questions, and task-based simulations that are integral to Wiley CPAexcel®’s successful approach.

## Multiple-choice questions

Even though the number of professional standards has increased over the years, these standards often deal with only incremental changes to similar prior standards. In many cases, the underlying concepts have not changed very much. This part of the exam is not quantitative by nature, so questions cannot be updated by simply changing the “numbers.” If you make a diligent effort studying these past exams’ multiple-choice questions, you will very likely see some “old friends” on your examination, or, at the very least, some questions that are very similar to what you have practiced.

## Final review

In addition to diligently studying the study text and practicing multiple-choice questions and exam questions, candidates invariably benefit from an intensive final review. The study text is designed to facilitate an efficient review and I encourage you to spend a few days reviewing the study text from start to finish to refresh your memory of important concepts immediately prior to testing.

## Work hard and enjoy the accomplishment of becoming a CPA for the rest of your life!

~ Prof. Donald Tidrick

Welcome to Auditing and Attestation

In AUD, I am responsible for Area I, the 15%-25% of the CPA Exam that is devoted to Ethics, Professional Responsibilities and General Principles. However, in your real-life career as a CPA, nothing will be more important than your ability to act ethically and professionally on a day-to-day basis.

The bulk of the material focuses on the AICPA's Code of Professional Conduct ("the Code"). However, it is also important to learn the basics of the independence and other professional requirements of the Securities Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), the Government Accountability Office (GAO), and the Department of Labor (DOL). The AICPA Code is now easily accessed at the AICPA website: <http://pub.aicpa.org/codeofconduct/Ethics.aspx>. The Code is organized along functional lines. Most of the Code addresses the attest work done by "Members in Public Practice (MIPPs)" such as outside auditors. Some of the Code addresses the work done by "Members in Business (MIBs)," such as management accountants, internal auditors, accountants working for government agencies and NGOs. Finally, a small portion of the Code addresses "Other Members," such as CPAs who are unemployed or retired. They still bear the title of CPA and can damage the profession's reputation by acting unprofessionally or unethically.

Please recall that the AICPA's tax-related ethics rules are located in the Regulation section. However, many Code provisions covered here—such as those related to integrity, objectivity, and advertising, generally apply to CPAs in all lines of endeavor—audit, tax, advisory services, etc.

The SEC and PCAOB material contained in this part deals primarily, though not exclusively, with additional Sarbanes-Oxley provisions aimed generally at improving the quality of financial information flowing to investors in public companies. Some of these SOX provisions are discussed inside the Code material because they override the Code's provisions where there is a conflict.

~ *Prof. Robert Prentice*



# **Ethics, Professional Responsibilities, and General Principles**

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# AICPA Code of Professional Conduct

## Introduction and Preface

**After studying this lesson, you should be able to:**

1. Understand the basic organizational structure of the new electronic version of the Code of Professional Conduct.
2. Explain the six key principles on which the code is based.

### I. Introduction

- A. An electronic version of the AICPA's Code of Professional Conduct is easily accessed on the AICPA's website. This electronic version is easily updated.
- B. The code divides professional responsibilities in terms of the role that members play. Part 1 of the code sets out rules for members in public practice, such as independent auditors, tax professionals, and consultants who provide professional services to third parties. This includes, of course, independence rules but also rules regarding integrity, objectivity, and discreditable acts. Part 2 of the code sets out rules for members in business, such as internal auditors at a corporation. They need not worry about independence rules, and many of the other rules for members in business are identical (or nearly so) to the nonindependence rules that apply to members in public practice. Part 3 sets out rules for other members, such as those who are unemployed or retired, who are expected to avoid discreditable acts.
- C. The code also follows the lead of the International Federation of Accountants by putting into place a Conceptual Framework for answering questions that arise that are not answered even by the many detailed code provisions and interpretations. In virtually every subject matter area of the entire code, if there is no clear answer, the Conceptual Framework should be applied.

### II. Preface (Part 0)

#### A. Overview

1. The code is divided into three main parts:
  - a. Part 1 applies to members in public practice.
  - b. Part 2 applies to members in business.
  - c. Part 3 applies to other members.
2. Members serving in multiple roles should choose the most restrictive applicable provisions.

#### B. Principles and rules of conduct contained in the code are supplemented by:

1. Interpretations
2. Definitions
3. Applications
4. Where applicable, standards promulgated by other bodies such as
  - a. State certified public accounting (CPA) societies
  - b. Securities and Exchange Commission
  - c. Public Company Accounting Oversight Board
  - d. Government Accountability Office