

# CIAP

## Syllabus

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## FINANCIAL ACCOUNTING & FINANCIAL MANAGEMENT

### FINANCIAL ACCOUNTING

#### 1. Accounting Framework

- Terminology, concepts, conventions. The purpose of accounting information and its communication.
- Financial accounts, statements and their requirements.
- Nature, principles and scope of financial accounting and its limitations.
- Accounting profession and the role of accountant.
- Ethics and independence of accounting profession.
- The regulatory environment/
- The nature, role and significance of IASs, IFRSs and IGAAP.

#### 2. Book-Keeping

- Principles and procedures.
- Original entry, double entry, supporting records, bank accounts and reconciliation statements. Cash accounts and reconciliation statements. Cash accounts, control accounts, trial balance, adjusting journal entries.
- Allocation of expenditure and income between capital and revenue, and the treatment of reserves, provisions, accrued expenditure and payments in advance.

#### 3. Accounting treatment of

- Non-current assets –property, plant and equipment and intangibles (excluding complex revaluations)
- Current assets.
- Events after the balance sheet date.
- Contingencies Inventory
- Change of foreign exchange rates, (for individual companies and foreign branches only)

#### 4. Preparing financial statements for different forms of Business entities

- Limited and unlimited companies.
- Sole traders- including incomplete record situations.
- Partnerships.
  - (a) Law governing partnership formation and dissolution, Partnership Act 1890, 1930 Partnership agreements relations with third parties, powers and duties of partners. Retirements of partners. Relationship of partners with each other. Dissolution of partnership. Partnership and companies compared. Limited Partnership Act 1907. Relevant case law.
  - (b) Partner's capital and current accounts. Valuation of and accounting for goodwill. Preparation of financial statements, accounting for incoming and outgoing partners, dissolution and amalgamation.
    - Companies
    - Allotments, issues of shares.
  - (c) Preparation of limited companies accounts to include income statements and balance sheets, in accordance with standard international accounting practice.
    - Preparation of accounts in relation to:
      - Clubs or societies
      - Branch accounts

#### 5. Interpretation of Financial Statements

- Cash flow statements (for single entities only). Construction, interpretation and reconciliation of movements in cash balances in accordance with IAS 7.
- Analysis and interpretation of financial statements and drafting reports thereon.
- Preparation of accounting information for management control and decision-making

## **FINANCIAL MANAGEMENT**

### **1. FINANCIAL MANAGEMENT FUNCTION**

#### **The nature and purpose of financial management**

- a) Nature and purpose of financial management.
- b) Relationship between financial management and financial and management accounting.

#### **2. Financial objectives and the relationship with corporate strategy**

- a) Relationship between financial objectives, corporate objectives and corporate strategy.
- b) Financial objectives, including:
  - i) Shareholder wealth maximization
  - ii) Profit maximization
  - iii) Earnings per share growth

#### **3. Stakeholders and impact on corporate objectives**

- a) Range of stakeholders and their objectives
- b) Conflict between stakeholder objectives [
- c) Role of management in meeting stakeholder objectives, including the application of agency theory.
- d) Ways of measuring achievement of corporate objectives including:
  - i) Ratio analysis, using appropriate ratios such as return on capital employed, return on equity, earnings per share and dividend per share
  - ii) Changes in dividends and share prices as part of total shareholder return
- e) Ways to encourage the achievement of stakeholder objectives, including:
  - i) Managerial reward schemes such as share options and performance-related pay
  - ii) Regulatory requirements such as corporate governance codes of best practice and stock exchange listing regulations.

#### **4. Financial and other objectives in not-for-profit organizations**

- a) Impact of not-for-profit status on financial and other objectives.
- b) Nature and importance of Value for Money as an objective in not-for-profit organization.
- c) Ways of measuring the achievement of objectives in not-for-profit organizations.

### **2. FINANCIAL MANAGEMENT ENVIRONMENT**

#### **The economic environment for business**

- a) Main macroeconomic policy targets.
- b) Role of fiscal, monetary, interest rate and exchange rate policies in achieving macroeconomic policy targets.
- c) Government economic policy interacts with planning and decision-making in business.
- d) Need for, and the interaction with, planning and decision-making in business of:
  - i) Competition policy
  - ii) Government assistance for business
  - iii) Green policies
  - iv) Corporate governance regulation.

#### **The nature and role of financial markets and institutions**

- a) Nature and role of money and capital markets, both nationally and internationally.
- b) Role of financial intermediaries.
- c) Functions of a stock market and a corporate bond market
- d) Nature and features of different securities in relation to the risk/return trade off.

### **3. WORKING CAPITAL MANAGEMENT**

#### **The nature, elements and importance of working capital**

- a) Nature of working capital and identify its elements.
- b) Objectives of working capital management in terms of liquidity and profitability, and discuss the conflict between them.
- c) Central role of working capital management in financial management.

**Management of inventories, accounts receivable, accounts payable and cash**

- a) Cash operating cycle and the role of accounts payable and accounts receivable.
- b) Relevant accounting ratios, including:
  - i) Current ratio and quick ratio
  - ii) Inventory turnover ratio, average collection period and average payable period
  - iii) Sales revenue/net working capital ratio
- c) Use of relevant techniques in managing inventory, including the Economic Order Quantity model and Just-in-Time techniques.
- d) Use of relevant techniques in managing accounts receivable, including:
  - i) Assessing creditworthiness
  - ii) Managing accounts receivable
  - iii) Collecting amounts owing
  - iv) Offering early settlement discounts
  - v) Using factoring and invoice discounting
  - vi) Managing foreign accounts receivable
- e) Use of relevant techniques in managing accounts payable, including:
  - i) Using trade credit effectively
  - ii) Evaluating the benefits of discounts for early settlement and bulk purchase
  - iii) Managing foreign accounts payable
- f) Various reasons for holding cash, and discuss and apply the use of relevant techniques in managing cash, including:
  - i) Preparing cash flow forecasts to determine future cash flows and cash balances.
  - ii) Assessing the benefits of centralized treasury management and cash control
  - iii) Cash management models, such as the Baumol model and the Miller-Orr model.
  - iv) Investing short-term.

**Determining working capital needs and funding strategies**

- a) Level of working capital investment in current assets and discuss the key factors determining this level, including:
  - i) The length of the working capital cycle and terms of trade.
  - ii) An organization's policy on the level of investment in current assets.
  - iii) The industry in which the organization operates.
- b) Key factors in determining working capital funding strategies, including:
  - i) The distinction between permanent and fluctuating current assets.
  - ii) The relative cost and risk of short-term and long-term finance.
  - iii) The matching principle.
  - iv) The relative costs and benefits of aggressive, conservative and matching funding policies.
  - v) Management attitudes to risk, previous funding decisions and organization size.

**4. INVESTMENT APPRAISAL**

**The nature of investment decisions and the appraisal process**

- a) Capital and revenue expenditure, and between non-current assets and working capital investment.
- b) Role of investment appraisal in the capital budgeting process.
- c) Stages of the capital budgeting process in relation to corporate strategy.

**Non-discounted cash flow techniques**

- a) Cash flows for investment projects.
- b) Usefulness of payback as an investment appraisal method.
- c) Capital employed (accounting rate of return) and discuss its usefulness as an investment appraisal method.

**Discounted cash flow (DCF) techniques**

- a) Concepts relating to interest and discounting, including:
  - i) The relationship between interest rates and inflation, and between real and nominal interest rates
  - ii) The calculation of future values and the application of the annuity formula

- iii) The calculation of present values, including the present value of an annuity and perpetuity, and the use of discount and annuity tables
- iv) The time value of money and the role of cost of capital in appraising investments
- b) Net present value and discuss its usefulness as an investment appraisal method.
- c) Internal rate of return and discuss its usefulness as an investment appraisal method.
- d) Superiority of DCF methods over non-DCF methods.
- e) Relative merits of NPV and IRR.

**Allowing for inflation and taxation in DCF**

- a) Real-terms and nominal terms approach to investment appraisal.
- b) Taxation effects of relevant cash flows, including the tax benefits of capital allowances and the tax liabilities of taxable profit.
- c) Before and after-tax discount rates.

**Adjusting for risk and uncertainty in investment appraisal**

- a) Difference between risk and uncertainty in relation to probabilities and increasing project life.
- b) Sensitivity analysis to investment projects and discusses the usefulness of sensitivity analysis in assisting investment decisions.
- c) Probability analysis to investment projects and discusses the usefulness of probability analysis in assisting investment decisions.
- d) Other techniques of adjusting for risk and uncertainty in investment appraisal, including:
  - i) Simulation
  - ii) Adjusted payback
  - iii) Risk-adjusted discount rates

**Specific investment decisions (Lease or buy; asset replacement; capital rationing)**

- a) Leasing and borrowing to buy using the before-and after-tax costs of debt.
- b) Asset replacement decisions using equivalent annual cost.
- c) Investment decisions under single period capital rationing, including:
  - i) The calculation of profitability indexes for divisible investment projects
  - ii) The calculation of the NPV of combinations of non-divisible investment projects
  - iii) A discussion of the reasons for capital rationing

**5. BUSINESS FINANCE**

**Sources of and raising short-term finance**

- a) Range of short-term sources of finance available to businesses, including:
  - i) Overdraft
  - ii) Short-term loan
  - iii) Trade credit
  - iv) Lease finance

**Sources of and raising, long-term finance**

- a) Range of long-term sources of finance available to businesses, including:
  - i) Equity finance
  - ii) Debt finance
  - iii) Lease finance
  - iv) Venture capital
- b) Methods of raising equity finance, including:
  - i) Rights issue
  - ii) Placing
  - iii) Public offer
  - iv) Stock exchange listing

**Internal sources of finance and dividend policy**

- a) Internal sources of finance, including:
  - i) Retained earnings
  - ii) Increasing working capital management efficiency
- b) Relationship between dividend policy and the financing decision

- c) Discuss the theoretical approaches to, and the practical influences on, the dividend decision, including:
  - i) Legal constraints
  - ii) Liquidity
  - iii) Shareholder expectations
  - iv) Alternatives to cash dividends

**Gearing and capital structure considerations**

- a) Problem of high levels of gearing
- b) Impact of sources of finance on financial position and financial risk using appropriate measures, including:
  - i) Ratio analysis using balance sheet gearing, operational and financial gearing, interest coverage ratio and other relevant ratios
  - ii) Cash flow forecasting
  - iii) Effect on shareholder wealth

**Finance for small and medium sized entities (SMEs)**

- a) Financing needs of small businesses.
- b) Nature of the financing problem for small businesses in terms of the funding gap, the maturity gap and inadequate security.
- c) Measures that may be taken to ease the financing problems of SMEs, including the responses of government departments and financial institutions.
- d) Appropriate sources of finance for SMEs and evaluate the financial impact of different sources of finance on SMEs.

**6. COST OF CAPITAL**

**Sources of finance and their relative costs**

- a) Relative risk-return relationship and the relative costs of equity and debt.
- b) Creditor hierarchy and its connection with the relative costs of sources of finance.

**Estimating the cost of equity**

- a) Dividend growth model and discuss its weaknesses.
- b) Capital asset pricing model (CAPM) and describe and explain the assumptions and components of the CAPM.
- c) Advantages and disadvantages of the CAPM.

**Estimating the cost of debt and other capital instruments**

- a) Cost of capital of a range of capital instruments, including:
  - i) Irredeemable debt
  - ii) Redeemable debt
  - iii) Convertible debt
  - iv) Preference shares
  - v) Bank debt

**Estimating the overall cost of capital**

- a) Average and marginal cost of capital.
- b) Weighted average cost of capital (WACC) using book value and market value weightings.

**Capital structure theories and practical considerations**

- a) Traditional view of capital structure and its assumptions.
- b) Views of Miller and Modigliani on capital structure, both without and with corporate taxation, and their assumptions.
- c) Range of capital market imperfections and describe their impact on the views of Miller and Modigliani on capital structure.
- d) Relevance of pecking order theory to the selection of sources of finance.

**Impact of cost of capital on investments**

- a) Relationship between company value and cost of capital.
- b) Circumstances under which WACC can be used in investment appraisal.

- c) Advantages of the CAPM over WACC in determining a project-specific cost of capital.
- d) CAPM in calculating a project specific discount rate.

## **7. BUSINESS VALUATIONS**

### **Nature and purpose of the valuation of business and financial assets**

- a) Reasons for valuing businesses and financial assets.
- b) Information requirements for valuation and discuss the limitations of different types of information.

### **Models for the valuation of shares**

- a) Asset-based valuation models, including:
  - i) Net book value (balance sheet basis).
  - ii) Net realizable value basis.
  - iii) Net replacement cost basis.
- b) Income-based valuation models, including:
  - i) price/earnings ratio method.
  - ii) Cash flow-based valuation models, including:
    - i) Dividend valuation model and the dividend growth model.
    - ii) Discounted cash flow basis.

### **The valuation of debt and other financial assets**

- a) Appropriate valuation methods to:
    - i) Irredeemable debt
    - ii) Redeemable debt
    - iii) Convertible debt
- Preference shares

### **Efficient Market Hypothesis (EMH) and practical considerations in the valuation of shares**

- a) Weak form efficiency, semi-strong form efficiency and strong form efficiency
- b) Practical considerations in the valuation of shares and businesses, including:
  - i) Marketability and liquidity of shares
  - ii) Availability and sources of information
  - iii) Market imperfections and pricing anomalies
  - iv) Market capitalization
- c) Significance of investor explanations of investor decisions offered by behavioural finance

## **8. RISK MANAGEMENT**

### **The nature and types of risk and approaches to risk management**

- a) Types of foreign currency risk:
  - i) Translation risk
  - ii) Transaction risk
  - iii) Economic risk
- b) Types of interest rate risk:
  - i) Gap exposure
  - ii) Basis risk

### **Causes of exchange rate differences and interest rate fluctuations**

- a) Causes of exchange rate fluctuations, including:
  - i) Balance of payments
  - ii) Purchasing power parity theory
  - iii) Interest rate parity theory
  - iv) four-way equivalence
- b) Exchange rates using:



- i) Purchasing power parity
- ii) Interest rate parity
- c) Causes of interest rate fluctuations, including:
  - i) Structure of interest rates and yield curves
  - ii) Expectations theory
  - iii) Liquidity preference theory
  - iv) Market segmentation

**Hedging techniques for foreign currency risk**

- a) Traditional and basic methods of foreign currency risk management, including:
  - i) Currency of invoice
  - ii) Netting and matching
  - iii) Leading and lagging
  - iv) Forward exchange contracts
  - v) Money market hedging
  - vi) Asset and liability management
- b) Traditional methods of foreign currency risk management.
- c) Main types of foreign currency derivate used to hedge foreign currency risk and explain how they are used in hedging. (No speculation and the numerical questions will be set on this topic)

**Hedging techniques for interest rate risk**

- a) Traditional and basic methods of interest rate risk management, including:
  - i) Matching and smoothing
  - ii) Asset and liability management
  - ii) Forward rate agreements
- b) Main types of interest rate derivate used to hedge interest rate risk and explain how they are used in hedging. (No numerical questions will be set on this topic)

**READING MATERIAL**

**Financial Accounting**

1. Frank wood Business Accountancy, Accounting Principles, by Frank Wood Jerry J. IA5B. Person Education Ltd, England.
2. IFRSs/IASs Accounting: The basis for Business decision by Robert F.Meigs and Jam R. Williams, Irwin Mcgraw-Hill New York.
3. Accounting Principle by Jack.L. Smith Megzaw-Hill Co. New York
4. Financial Accounting and Tax Principals, PBP, professional Business Publications, Lahore.
5. An Interdiction in Accountancy, by S.N. Mahesh Wari. Inkas Publishing Honse, New York
6. Advanced Accounting by S.P.Jain Kalymi Publisher, New York.
7. Any other book/material.

**Financial Management**

- a. Financial Management Theory and Practice by Eugene F.Brigham and Michael C. Ehrhardt South western, United Kingdom.
- b. Corporate Finance, Principles and Practice (3<sup>rd</sup> Edition), by D.watson A.Head, FT Printice Hall.
- c. Financial Management by I.M.Pandy, Vikas Publishing House, (Pvt) Ltd. , 576, Masjid Road, Jangpura, \new Delhi.
- d. Management Accounting Financial Strategy by PBP, Professional Business Publication, Lahore.
- e. Financial Management by M.Y Khan and P.K Jain, Tata Mc-Graw-Hill Publishing Co.Ltd.4/12 Asif Ali Road New Delhi.
- f. Financial Management and Policy by James C. Van Horne, Prentice Hall of India Pvt.Ltd. , New Delhi 110001.
- g. Fundamental of Financial Management (12<sup>th</sup> edition) by J. Van Horne, J. Waschowitz, FT Printice Hall.
- h. Applied Economics (10<sup>th</sup> edition) by A.Griffiths, D.Wall, FT Printice Hall.
- i. Any other book being material.

## AUDIT AND ASSURANCE

### AIM

To develop knowledge and understanding of the process of carrying out the assurance engagement and its application in the context of the professional regulatory framework.

### SYLLABUS

#### A. AUDIT FRAMEWORK AND REGULATION

- Concept of audit and other assurance engagements
- Objective and general principles of external audit engagements.
- Nature and Development of audit and other assurance engagements.
- Concepts of accountability, stewardship and agency.

#### B. INTERNAL AUDIT

##### 1. Internal audit and corporate governance

- Factors to be taken into account when assessing the need for internal audit.
- Elements of best practice in the structure and operations of internal audit with reference to appropriate international codes of corporate governance.

##### 2. Differences between external and internal audit

- Role of external and internal audit regarding audit planning and the collection of audit evidence.
- Types of report provided by internal and external audit.

##### 3. Scope of the internal audit function

- Scope of internal audit and the limitations of the internal audit function.
- Types of audit report provided in internal audit assignments.
- Responsibilities of internal and external auditors for the prevention and detection of fraud and error.

##### 4. Outsourcing the internal audit department

Advantages and disadvantages of outsourcing internal audit.

##### 5. Internal audit assignments

- Nature and purpose of internal audit assignments including value for money, IT, best value and financial.
- Nature and purpose of operational internal audit assignments including procurement, marketing, treasury and human resources management.

#### C. PLANNING AND RISK ASSESSMENT

##### 1. Objective and general principles

- Need to plan and perform audits with an attitude of professional skepticism.
- Engagement risks affecting the audit of an entity.
- Components of audit risk.
- Risk based, procedural and other approaches to audit work.
- Importance of risk analysis.
- Information technology in risk analysis.

##### 2. Understanding the entity and knowledge of the business

- Auditors obtain an initial understanding of the entity and knowledge of its business environment.

##### 3. Assessing the risks of material misstatement and fraud

- Concepts of materiality and tolerable error.
- Indicative materiality levels from financial information.
- Effect of fraud and misstatements on the audit strategy and extent of audit work.

##### 4. Analytical procedures

- Nature and purpose of analytical procedures in planning.
- Key ratios used in analytical procedures.

##### 5. Planning an audit

- Need for planning an audit.
- Contents of the overall audit strategy and audit plan.

- Describe the relationship between the overall audit strategy and the audit plan.
- Develop and document an audit plan.
- Difference between interim and final audit.

**6. Audit documentation**

- Need for and the importance of audit documentation.
- Working papers and supporting documentation.
- Procedures to ensure safe custody and retention of working papers.

**7. The work of others**

- Extent to which auditors are able to rely on the work of experts.
- Extent to which external auditors are able to rely on the work of internal audit.
- Audit considerations relating to entities using service organizations.
- Why auditors rely on the work of others.
- Extent to which reference to the work of others can be made in audit reports.

**D. INTERNAL CONTROL**

The following transaction cycles and account balances are relevant to this capability:

- Revenue,
- Purchases,
- Inventory,
- Revenue and capital expenditure,
- Payroll,
- Bank and cash

**1. Internal control systems**

- Explain why an auditor needs to obtain an understanding of internal control activities relevant to the audit.
- Key components of an internal control system.
- Important elements of internal control including the control environment and management control activities.
- Difference between tests of control and substantive procedures.

**2. The use of internal control systems by auditors**

- Importance of internal control to auditors.
- How auditors identify weaknesses in internal control systems and how those weaknesses limit the extent of auditors' reliance on those systems.

**3. Transaction cycles**

- Internal control procedures and control activities.
- Computer system controls.

**4. Tests of control**

- Tests of control suitable for inclusion in audit working papers.
- Application controls and general IT controls.

**5. The evaluation of internal control components**

- Limitations of internal control components in the context of fraud and error.
- Need to modify the audit strategy and audit plan following the results of tests of control.
- Management's risk assessment process with reference to internal control components.

**6. Communication on internal control**

- How the reporting of internal control weaknesses and recommendations to overcome those weaknesses are provided to management.

**7. Management control systems in corporate governance**

- Internal management control.
- Importance of internal control and risk management in corporate governance.
- Internal control systems.
  
- Corporate governance and executive management roles in risk management.
- Importance of the elements or components of internal control systems.

#### **8. Internal control, audit and compliance in corporate governance**

- Function and importance of internal audit.
  
- Importance of, auditor independence in all client auditor situations (including internal audit).
- Nature and sources of risks to, auditor independence. Assess the hazard of auditor capture.
- Importance of compliance and the role of the internal audit function in internal control.
- Effectiveness of internal control systems.
  
- Work of the internal audit committee in overseeing the internal audit function.
- Importance and characteristics of, the audit committee's relationship with external auditors.

#### **9. Internal control and reporting**

- Need to report on internal controls to shareholders.
- Report on internal control and audit.
  
- Internal controls underpin and provide information for accurate financial reporting.

#### **10. Management information in audit and internal control**

- Need for adequate information flows to management for the purposes of the management of internal control and risk.
- Qualities and characteristics of information required in internal control and risk management and monitoring.

### **E. AUDIT EVIDENCE**

#### **1. The use of assertions by auditors**

- Assertions contained in the financial statements.
- Principles and objectives of transaction testing, account balance testing and disclosure testing.
- Use of assertions in obtaining audit evidence.

#### **2. Audit procedures**

- Sources and relative merits of the different types of evidence available.
- How analytical procedures are used as substantive procedures.
- Problems associated with the audit and review of accounting estimates.
- Why smaller entities may have different control environments and describe the types of evidence likely to be available in smaller entities.
- Quality of evidence obtained.

#### **3. The audit of specific items**

- For each of the account balances stated in this sub capability:
- Purpose of substantive procedures in relation to financial statement assertions,
- Substantive procedures used in auditing each balance, and
- Tabulate those substantive procedures in a work program.

##### **a) Receivables:**

- i) direct confirmation of accounts receivable
- ii) Other evidence in relation to receivables and prepayments, and

iii) The related income statement entries.

**b) Inventory:**

- i) Inventory counting procedures in relation to year-end and continuous inventory systems
- ii) Cut-off
- iii) Auditor's attendance at inventory counting
- iv) Direct confirmation of inventory held by third parties.
- v) Other evidence in relation to inventory.

**c) Payables and accruals:**

- i) Supplier statement reconciliations and direct confirmation of accounts payable,
- ii) Obtain evidence in relation to payables and accruals, and
- iii) The related income statement entries.

**d) Bank and cash:**

- i) Bank confirmation reports used in obtaining evidence in relation to bank and cash
- ii) Other evidence in relation to bank and cash, and
- iii) The related income statement entries.

**e) Tangible non-current assets and long-term liabilities:**

- i) Evidence in relation to non-current assets and
- ii) Non-current liabilities and iv) the related income statement entries

**4. Audit sampling and other means of testing**

- Audit sampling and explain the need for sampling.
- Differences between statistical and non-statistical sampling.
- Application of the basic principles of statistical sampling and other selective testing procedures.
- Results of statistical sampling, including consideration of whether additional testing is required.

**Computer-assisted audit techniques**

- Use of computer-assisted audit techniques in the context of an audit.
- Use of test data and audit software for the transaction cycles and balances mentioned in sub-capability
- Use of computers in relation to the administration of the audit.

**6. Not-for-profit organizations**

- Audit techniques to small not-for-profit organizations.
- Audit of small not-for-profit organizations differs from the audit of for-profit organizations.

**F REVIEW**

**1. Subsequent events**

- Purpose of a subsequent events review.
- Procedures to be undertaken in performing a subsequent events review.

**2. Going concern**

- Significance of the concept of going concern.
- Importance of and the need for going concern reviews.
- Respective responsibilities of auditors and management regarding going concern.
- Procedures to be applied in performing going concern reviews.
- Disclosure requirements in relation to going concern issues
- Reporting implications of the findings of going concern reviews.

**3. Management representations**

- Procedure for obtaining management representations.
- Quality and reliability of management representations as audit evidence.
- Circumstances where management representations are necessary and the matters on which representations are commonly obtained.

**4. Audit finalization and the final review**

- Importance of the overall review of evidence obtained.
- Significance of unadjusted differences.

## **G REPORTING**

### **1. Audit reports**

- Format and content of unmodified audit reports.
- Format and content of modified audit reports.
- Reports to management
- Internal control and system weaknesses and their potential effects and make appropriate recommendations to management.

### **2. Reports to management**

- Internal control and system weaknesses and their potential effects and make appropriate recommendations to management.

### **3. Internal audit reports**

- Format and content of internal audit review reports and other reports dealing with the enhancement of performance.
- Process for producing an internal audit report

#### **Reading Material**

1. Auditing and Assurance by Alivin A. Arens, Randal J Mark Breasley ACL by smazon.Audit and Assurance by BBP learning Media.
2. Audit and Assurance (AA) complete text Kaplan Publisher.
3. Modern Auditing and Assurance by Leung, Publisher by Wiley.Audit and Assurance Services by David N. Ricchiute published by Thomas South- Western UK.
4. Any other book/material.

## INFORMATION TECHNOLOGY MANAGEMENT, AUDIT AND CONTROL

### AIM

This syllabus aims to provide:

- a. Essential body of IT knowledge related to business information systems.
- b. IT security, control and governance knowledge related to business information systems.
- c. Application of knowledge to manage and evaluate IT and to assist the students in enhancing their knowledge and skills in Managerial role Evaluator role, Enterprise resource planning and Electronic Commerce.

### SYLLABUS

- IT STRATEGY MANAGEMENT OF IT
- STRATEGIC CONSIDERATION IN IT DEVELOPMENT
- E-BUSINESS MODELS
- MANAGEMENT OF COMPUTER OPERATIONS
  - a. Planning of information systems based on business success
  - b. factors/criteria
  - c. Position of the entity within its industry/sector
  - d. Alignment/integration with business objectives/success factors
  - e. Risks: economic, technical, operational, behavioural
  - f. Components of long range plans Operational dynamics that
  - g. influences the entity's business/programs E-Business models
  - h. Business to Consumer (B2C)
  - i. Business to Business (B2B)
  - j. Business to Employee (B2E)
  - k. Consumer to Consumer (C2C)
  - l. Government to Citizen (G2C)
  - m. Compatibility of computers
  - n. Developing operational priorities
  - o. Planning IT on procedures
  - p. Impact of IT on procedures
  - q. Data/information architecture
  - r. IT infrastructures (hardware, facilities, network)

### PART- II

- SOFTWARE IFCA GUIDELINES/DISCUSSION PAPERS
- MANAGEMENT OF INTERORGANIZATIONAL COMPUTING
- MANAGEMENT OF END-USER COMPUTING
- FINANCIAL ANALYSIS AND CONTROL
- IT CONTROL OBJECTIVES E-BUSINESS ENABLING SOFTWARE
- SOFTWARE (SYSTEMS, APPLICATIONS, UTILITIES)
- PERFORMANCE MEASUREMENT (PRODUCTIVITY, SERVICE QUALITY)
- COLLABORATIVE COMPUTING
- DISTRIBUTED SYSTEM
- EDI AND ELECTRONIC COMMERCE
- OUTSOURCED SERVICES (ISPS, ASPs, ETC)
  - a. Technology diffusion
  - b. Information centre, help desk
  - c. End-user system security
  - d. Support for end-user applications
  - e. Capital budget
  - f. Time/expense tracking



- g. Cost charge out / monitoring
- h. Accounting for systems Cost
- i. Effectiveness, efficiency, economy of operations
- j. Reliability of financial reporting
- k. Effectiveness of controls (design, operation)
- l. IT asset safeguarding
- m. Compliance with applicable laws and regulations
- n. System reliability:
- o. Availability and continuity (back-up, recovery)
- p. Access controls (physical, logical)
- q. Processing integrity (completeness, accuracy, timeliness, authorization)
- r. Data integrity
- s. Supply chain management (SMC)
- t. Enterprises resource planning (ERP)
- u. Sale force automation (SFA)
- v. Customer relationship management (CRM)
- w. Electronic Commerce System:
- x. Brochure, Catalogue, order entry, payment, processing, fulfilment
- y. Knowledge management systems
- z. Knowledge creation, capture, sharing, maintenance.
- aa. Managing Information Technology Planning for Business Impact
- bb. Acquisition of Information Technology
- cc. The Implementation of Information Technology solutions
- dd. IT service delivery and Support
- ee. Executive Checklist

### **PART -III**

- CONTROL FRAMEWORKS
- CONTROL OBJECTIVES
- LAYER OF CONTROL
- RESPONSIBILITY FOR CONTROL
- RISKS AND EXPOSURES IN COMPUTER-BASED INFORMATION SYSTEMS
- IT CONTROL FRAMEWORK
- EFFECTIVENESS, EFFICIENCY, ECONOMY OF OPERATIONS
- RELIABILITY OF FINANCIAL REPORTING
- EFFECTIVE OF CONTROL (DESIGN, OPERATION)
- IT ASSET SAFEGUARDING
- COMPLIANCE WITH APPLICABLE LAWS AND REGULATION
- SYSTEM RELIABILITY
- DATA INTEGRITY
- SOCIETAL ORGANIZATIONAL ENVIRONMENT
- TECHNOLOGY INFRASTRUCTURE SOFTWARE
- BUSINESS PROCESS
- ROLE AND RESPONSIBILITY OF KEY PARTIES
- ILLUSTRATIVE SUB-TOPICS
- a. Error, fraud, vandalism/abuse, business interruption, competitive disadvantage, excessive cost, deficient revenues, statutory sanctions, social costs, etc.
- b. Effect of IT audit on organization, controls
- c. Economic, technical, operational, behavioural considerations
- d. Cost/benefit IT control frameworks
- e. COBIT, ITCG, SysTrust, Web Trust, etc
- f. Cost effectiveness of control procedures
- g. Relevance, reliability, comparability consistency
- h. at a point time, during a period of time
- i. Evolution of facilities management and IT asset safeguarding
- j. Prevention/detection of fraud, error and illegal acts

- k. privacy, confidentiality, copyright issues
- l. Availability and continuity (back-up, recovery)
- m. Access control (physical, logical)
- n. Processing integrity (completeness, accuracy, timeliness, authorization)
- o. Completeness, accuracy, currency/timeliness, consistency/comparability, authorization audit ability,
- p. Input/output; reception/distributes controls
- q. Attitudes, laws and regulations Board level, management level, It administrative/operational level
- r. Hardware, facilities, network systems, application
- s. User departments, individual's user
- t. Board, top management
- u. It Management and it personnel
- v. User departments, individuals
- w. Auditors

#### **PART-IV**

- CONTROL ENVIRONMENT
- RISK ASSESSMENT
- EXTERNAL REGULATORY CONTROLS
- BOARD/AUDIT COMMITTEE GOVERNANCE
- MANAGEMENT PHILOSOPHY AND OPERATING STYLE
- PLAN/STRUCTURE OF ORGANIZATION
- METHOD TO COMMUNICATE THE ASSIGNMENT OF AUTHORITY AND RESPONSIBILITY
- MANAGEMENT CONTROL METHODS
- HUMAN RESOURCE POLICIES AND PRACTICES
- FINANCIAL POLICES AND PRACTICES
- RISK CATEGORIES PROBABILITY OF LOSS CONSEQUENCES
- a. Record keeping privacy, copyright, taxation, etc,
- b. Regulatory compliance fiduciary obligations, It governance, system reliability
- c. Integrity and ethical values, commitment to competence
- d. Leadership for IT organization, organization of It function, segregation of incompatible It and user functions, partnership with other organizations.
- e. Business practices, codes of conduct
- f. Strategic planning, business system/IT integration planning, budgeting, performance measurement, monitoring, compliance with policies
- g. Hiring, training, evolution, compensation of IT personnel, career paths.
- h. Budgeting process; cost charge out methods;
- i. Economic, technical
- j. Main reason for failure of computer projects
- k. Error, fraud, vandalism/abuse, business interruption, competitive disadvantage, excessive cost, deficient revenues, statutory sanctions, social costs, etc.
- l. Quantitative/qualitative
- m. Monetary, non-monetary
- n. Balancing costs of controls vs. costs of unmitigated risks.

#### **PART- V**

- CONTROL DESIGN
- CONTROL PROCEDURE
- CONTROL OVER DATA INTEGRITY, PRIVACY AND SECURITY
- AVAILABILITY/CONTINUITY OF PROCESSING, DISASTER RECOVERY PLANNING AND CONTROL
- a. Objectives, framework, environment, activities, monitoring
- b. legal, ethical, professional standards/requirement
- c. Preventive /detective/corrective strategies
- d. Effective control environment (personnel management methods)
- e. preventative application controls
- f. Detective application control
- g. Contingency plans, insurance

- h. Authorization
- i. Separation of incompatible functions (organizational design, user identification, data clarification, user. function./data authorization matrix, user authentication)
- j. Adequate documents and records
- k. asses safeguards; limitation of access to assets
- l. Independent check on performance; verification of accounting records, comparison of accounting records with assets
- m. Computer-dependent controls (edit, validation, etc)
- n. User control (control balancing, manual follow-up, etc)
- o. Audit trails
- p. Error identification/investigation/correction/tracking
- q. Understanding of data protection legislation
- r. Consideration of personnel issues and
- s. Classification of Information
- t. Access management controls
- u. physical design and access control
- v. Logical access control (user authorization matrix)
- w. Network security (encryption, firewalls)
- x. Program security techniques
- y. Monitoring and surveillance techniques (problems of on line systems, etc)
- z. Threat and risk management software and data backup techniques (problems of on-line systems, etc.)
- aa. Alternate processing facility arrangements
- bb. Disaster recovery procedural plan, documentation.

#### **PART- VI**

- MONITORING OF CONTROL COMPLIANCE
- IS PROCESSING/OPERATIONS
- ROLES OF MANAGEMENT, USERS AUDITORS (INTERNAL, EXTERNAL)
- COMPUTER ASSISTED AUDIT TECHNIQUES
- a. Integration with business continuity plans
- b. Periodic tests of recovery procedures
- c. Insurance
- d. Planning and scheduling; service levels, Risks standard
- e. Infrastructure (hardware, facilities, networks)
- f. Software
- g. Human resources (skill sets and staffing level)
- h. Business processes
- i. Performance monitoring Costs/benefits (quantitative and qualitative impact on management jobs and office procedures)
- j. Business drivers that impact IT (e.g., scalability, rightsizing, flexibility of change in technology) or business, speed to market, cross-platform capability)
- k. Control over productivity and service quality
- l. Software/data library management
- m. Input/output distribution and control
- n. Security and backup and recovery
- o. Internal monitoring processes
- p. Performance review processes
- q. External monitoring processes
- r. Processes for addressing-non-compliance
- s. Familiarization with
- t. System analysis and documentation (e.g., flowcharting package, review of program logic, etc)
- u. System/program testing (e.g., test data, integrated test facility, parallel simulation etc
- v. Data integrity testing (e.g., generalized audit software, utilities, custom programs sampling routines, etc)
- w. Problem solving aids (e.g., spread sheet, database, online data bases, etc)
- X. Administrative aids (e. g., word processing, audit program generation, work paper generators etc).

### Reading Material

1. Information systems control and audit by Ron Weber.
2. Strategic Management and Information Systems by Wendy Robson.
3. Auditing in a computerized Environment by Mohan Bhatia.
4. Information Technology Management, Audit and Control Study Text and Revision Series by AT Foulks Lynch Pakistan.
5. Information Technology Management, Audit and Control Study Text and Revision Series by Professional Business Publication (PBP).
6. Information Technology Management Audit & Control by Mohammad Amjad Bhatti and Muhammad Qaiser Sheikh.
7. International Information Technology Guidelines Developed by IFAC- IT Committee, available at IFCA-s website.
8. Practical IT Auditing by James R. Hickman, Warren Gorham & Lamont RIA Group 117 East Stenens avenue Vahall, New York 10595.
9. Complete Book on Information Technology by Dr. Rajesh Trehan cyber Tech (CCT).
10. CISA Review Manual by CISA Information System auditand Control associations, Inc. , 3704 Algonquin Road, suite1010 Rolling Meaduals, Illinois 600008.
11. IFCA Guidelines on IT, International Federation of Accountants, 545, Avenue 14<sup>th</sup> floor, New York NY 10017.
12. Any other book/material.

## TAXATION LAWS

### AIM

The aim of this paper is to develop basic knowledge and understanding in the core areas of Income Tax and its chargeability as envisaged in the Income Tax Ordinance 2001 and the Income Tax Rules 2002 (relevant to the syllabus), Sales Tax Act 1990 and the Sales Tax Rules (relevant to the syllabus).

### SYLLABUS

#### 1. INCOME TAX ORDINANCE 2001

##### a. Basic concepts of taxation

- Chapter I Preliminary (concepts of terms defined)
- Chapter II Charge of tax (excluding section 7)
- Chapter IV Common rules (Part I & II)

##### b. Heads of income, Computation of income, Determination of tax liability

- Chapter III Tax on taxable Salary income (excluding Sec 29A, 30 & 31) Income from Property, Income from Business, Capital gains, Income from other sources
- Chapter IX Minimum tax
- Chapter X Part V Advance tax and deduction of tax at source
- Chapter XII Transitional Advance Tax provisions

##### c. Types of persons and their taxation

- Chapter V Part I Central concepts
- Chapter V Part II - Individuals
- Chapter V Part III Association of persons
- Chapter VII Part II Taxation of foreign-source income of residents.

##### d. Types of Companies

- Private Company, Public Company, Foreign Company
- Not for Profit organization, Trust
- Special Industries, Insurance, Banking
- Exemption and Concessions, deductible allowance
- Tax Credit

##### e. Procedures and Administration

- Chapter X Part I Returns
- Chapter X Part II Assessments
- Chapter X Part III Appeals including Alternative Dispute Resolution
- Chapter X Part IV Collection and recovery of tax (Sections 137 to 140)
- Chapter X Part VIII Audit (Section 177)
- Chapter XI Part I Administration - General (excluding section 224 to 227) 2001 shall also be examined.

#### SALES TAX ACT 1990: OFFENCES AND PROSECUTIONS

- Chapter I Preliminary (concepts of terms defined)
- Chapter II Scope and payment of tax
- Chapter III Registration
- Chapter IV Book keeping and invoicing requirements
- Chapter V Returns
- Assessment and Appeal
- Taxation of Non Resident

- Agreement for double taxation
- The following rules (excluding annexure and forms) of the Sales Tax Rules 2005 related to the relevant chapters of the Sales Tax Act may be examined. Rules other than the following shall not be examined at this stage:
  - Chapter I Registration, Voluntary registration and Deregistration
  - Chapter II Filing of monthly returns
  - Chapter III Credit and Debit Note and Destruction of Goods
  - Chapter IV Apportionment of Input Tax

### Reading Material

S.No	Book Name	Author	Publisher
1	Complete Income Tax Law	Sheikh Asif Salam	S.A Salam Publication, Lahore.
2	Introduction of Income Tax Law Ordinance 2001 & Income Tax Rules. 2002	Huzaima Bukhari & Dr. Ikramul Haq	Lahore Law Publication
3	Sales Tax, 1990	Tariq Najeeb Choudhry	Tariq Najeeb Corporation, Lahore
4.	Central Excise Act 1944 and Rules	Tariq Najeeb Choudhry	Tariq Najeeb Corporation, Lahore
5.	Customs Act, 1969	Tariq Najeeb Choudhry	Tariq Najeeb Corporation, Lahore
6.	Income Tax Law plus Practical Problems with Solution	Prof. Dr. Khawaja Amjid Saeed	Azim Academy, 21- Urdu Bazar, Lahore.
7.	Synopsis of Tax in Pakistan	Mirza Munawar Hussain	Iqbal Brothers, Lahore
8.	Any other book/material.		

## BUSINESS ANALYSIS AND DECISION MAKING

### AIM

The students are taught to apply relevant knowledge, skills, and exercise professional judgment in assessing strategic position, determining strategic choice, and implementing strategic action through beneficial business process and structural change; coordinating knowledge systems and information technology and by effectively managing quality processes, projects, and people within financial and other resource constraints.

### SYLLABUS

#### 1. STRATEGIC POSITION

##### ▪ Need and purpose of strategic business analysis

- a) Fundamental nature and vocabulary of strategy and strategic decisions.
- b) Strategy may be formulated different levels (corporate, business level, operational) of an organization.
- c) Johnson, Schools and Whittington model for defining elements of strategic management – the strategic position, strategic choices and strategy into action.
- d) Strategic management is affected by different organizational contexts.
- e) Three different strategy lenses (Johnson, Schools and Whittington) for viewing and understanding strategy and strategic management.
- f) Scope of business analysis and its relationship to strategy and strategic management in the context of the relational diagram of this syllabus.

##### ▪ Environmental issues affecting the strategic position of an organisation

- a) Macro-environment of an organization using PESTEL.
- b) Key drivers of change likely to affect the structure of a sector or market.
- c) Using Porter's Diamond, the influence of national competitiveness on the strategic position of an organization.
- d) Scenarios reflecting different assumptions about the future environment of an organization.

##### ▪ Competitive forces affecting an organization

- a) Significance of industry, sector and convergence.
- b) Sources of competition in an industry or sector using Porter's five forces framework.
- c) Contribution of the lifecycle model and the cycle of competition to understanding competitive behaviour.
- d) Influence of strategic groups and market segmentation.
- e) Opportunities and threats posed by the environment of an organization.

##### ▪ Marketing and the value of goods and services

- a) Customers and markets
- b) Appropriate critical success factors for products and services
- c) Role of the value chain in creating and sustaining competitive advantage.
- d) Advise on the role and influence of value networks.
- e) Different approaches to benchmarking an organization's performance.

##### ▪ Internal resources, capabilities and competences of an organization

- a) Strategic capability, threshold resources, threshold competences, unique resources and core competences.
- b) Continuing need for cost efficiency.
- c) Capabilities required sustaining competitive advantage.
- d) Impact of new product, process, and service developments and innovation in supporting business strategy.
- e) Contribution of organizational knowledge to the strategic capability of an organization.

- f) Opportunities for managing the strategic capability of an organization.
- g) Strengths and weaknesses of an organization and an appropriate SWOT analysis.

- **Expectations of stakeholders and the influence of ethics and culture**

- a) Implications of corporate governance on organizational purpose and strategy.
- b) Stakeholder mapping, the relative influence of stakeholders on organizational purpose and strategy.
- c) Ethical influences on organizational purpose and strategy.
- d) Scope of corporate social responsibility.
- e) Impact of culture on organizational purpose and strategy.
- f) Cultural web of an organization.
- g) How organizations communicate their core values and mission.

## **2. STRATEGIC CHOICES**

### **Influence of corporate strategy on an organization**

- a) Relationship between a corporate parent and its business units.
- b) Opportunities and potential problems of pursuing different corporate strategies of product/market diversification from a national, international and global perspective.
- c) Opportunities and potential problems of pursuing a corporate strategy of international diversity, international scale operations and globalization.
- d) Range of ways that the corporate parent can create and destroy organizational value.
- e) Three corporate rationales for adding value – portfolio managers, synergy managers and parental developers.
- f) Range of portfolio models (the growth/share (BCG) matrix, the public q sector portfolio matrix, market attractiveness/ SBU strength matrix, directional policy matrix, Ash ridge Portfolio Display) to assist corporate parents manage their business portfolios

### **Alternative approaches to achieving competitive advantage**

- a) Strategy clock, generic strategy options available to an organisation.
- b) Price-based strategies, differentiation and lock-in can help an organization sustain its competitive advantage.
- c) Organizations can respond to hypercompetitive conditions.
- d) Opportunities for improving competitiveness through collaboration.

### **Alternative directions and methods of development**

- a) Generic development directions (employing an adapted an off matrix and a TOWS matrix) available to an organisation.
- b) Internal development, mergers, acquisitions, strategic alliances and franchising can be used as different methods of pursuing a chosen strategic direction.
- c) Criteria to assist in the choice of a strategic direction and method (strategic Options).
- d) Suitability of different strategic options to an organisation.
- e) Feasibility of different strategic options to an organisation.
- f) Acceptability of strategic options to an organisation through analysing risk and return on investment.

## **3. STRATEGIC ACTION**

### **Organizing and enabling success**

- a) Organization can be structured to deliver a selected strategy]
- b) Generic processes that take place within the structure, with particular emphasis on the planning process.
- c) Internal relationships can be organized to deliver a selected strategy.
- d) External relationships (outsourcing, strategic alliances, networks and the virtual organisation) can be structured to deliver a selected strategy.
- e) Mint Berg's Organizational configurations and the design of structure, Processes and relationships.



### **Managing strategic change**

- a) Strategic change and their implications.
- b) Organizational context of change using Balogun and Hope Hailey's contextual features model and the cultural web.
- c) Potential blockages and levers of change.
- d) Leadership appropriate to manage strategic change.
- e) Organizational roles required to manage strategic change
- f) Levers that can be employed to manage strategic change

### **Understanding strategy development**

- a) Concepts of intended and emergent strategies.
- b) Organizations attempt to put an intended strategy into place.
- c) Strategies appear from within an organisation.
- d) Redesign, quality initiatives and e-business can contribute to emergent strategies.
- e) Implications of strategic drift and the demand for multiple processes of strategy development.

## **4. BUSINESS PROCESS CHANGE**

### **Role of process and process change initiatives**

- a) Organizations design of its processes to deliver a selected strategy.
- b) Business process change initiatives previously adopted by organizations.
- c) Scope and focus for business process change using Harmon's process-strategy matrix.
- d) Commoditization of business processes.
- e) Implications of business process outsourcing.
- f) Business process redesign methodology for an organisation.

### **Improving the processes of the organization**

- a) Effectiveness of current organizational processes.
- b) Range of process redesign patterns.
- c) Possible redesign options for improving the current processes of an organisation.
- d) Feasibility of possible redesign options.
- e) Relationship between process redesign and strategy.

### **Software solutions**

- a) Information system requirements required by business users.
- b) Advantages and disadvantages of using a generic software solution to fulfil those requirements.
- c) Process for evaluating, selecting and implementing a generic software solution.
- d) Relationship between generic software solutions and business process redesign.

## **5. INFORMATION TECHNOLOGY**

### **Principles of e-business**

- a) Meaning and scope of business.
- b) Reasons for the adoption of business and recognize barriers to its adoption.
- c) E-business changes the relationships between organizations and their customers.
- d) Main business and marketplace models for delivering e-business.
- e) Hardware and software infrastructure required to support e-business.
- f) Organization can utilize information technology to help it deliver a selected strategy.

### **E-business application: upstream supply chain management**

- a) Main elements of both the push and pull models of the supply chain.
- b) Relationship of the supply chain to the value chain and the value network.
- c) Potential application of information technology to support and restructure the supply chain.
- d) How external relationships with suppliers and distributors can be structured to deliver a restructured supply chain.
- e) Methods, benefits and risks of e-procurement.
- f) Models for implementing e-procurement.

**E-business application: downstream supply chain management**

- a) Scope and media of e-marketing.
- b) E-marketing can be used when developing an effective e-marketing plan.
- c) Characteristics of the media of e-marketing using the '6I's of I interactivity, Intelligence, Individualization, Integration, Industry structure and Independence of location.
- d) Effect of the media of e-marketing on the traditional marketing mix of product, promotion, price, place, people, processes and physical evidence.
- e) Importance of on-line branding in e-marketing and compare it with traditional branding

**E-business application: customer relationship management**

- a) Meaning and scope of customer relationship management.
- b) Methods of acquiring customers through exploiting electronic media.
- c) Buyer behaviours amongst online customers.
- d) Techniques for retaining customers using electronic media.
- e) Electronic media may be used to increase the activity and value of established, retained customers.
- f) Scope of a representative software package solution designed to support customer relationship management.

**6. QUALITY ISSUES**

**Quality control, quality assurance and quality management systems**

- a) Quality, quality assurance, quality control and a quality management system.
- b) Relationship of quality to the strategy of an organisation.
- c) Appraise quality initiatives adopted by organizations.
- d) Structure and benefits of a quality management system and quality certification.

**Quality in the information systems development lifecycle**

- a) Need and assess the characteristics of quality in computer software and the implications of these characteristics for testing, liability and ownership.
- b) Stages of systems development through the medium of the V lifecycle model.
- c) How the V lifecycle model defines and partitions testing and contributes to improved computer software quality.
- d) Process of computer software development process might be improved through the application of the Capability Maturity Model Integration (CMMI) process.

**Quality Initiatives: Six Sigma**

- a) Scope, principles and objectives of Six Sigma.
- b) Team roles typically required by Six Sigma.
- c) Sigma problem-solving process (DMAIC).
- d) Significance and implications of measurement in the Six Sigma problem-solving process.
- e) Application of Six Sigma within e-business, the value chain and process redesign.

**7. PROJECT MANAGEMENT**

**Identifying and initiating projects**

- a) Distinguishing features of projects and the constraints they operate in.

- b) Relationship between organizational strategy and project management.
- c) Plan to manage risks.
- d) Structures and information that have to be in place to successfully initiate a project.
- e) Importance of developing a project plan and discuss the work required to produce this plan.
- f) Relevance of projects to process redesign, e-business systems development and quality initiatives.

#### **Managing and leading projects**

- a) Organisation and implications of project-based team structures.
- b) Establish the role and responsibilities of the project manager and the project sponsor.
- c) Typical problems encountered by a project manager when leading a project.
- d) How these typical problems might be addressed and overcome.

#### **Monitoring, controlling and concluding projects**

- a) Status of a project and identify project risks, issues, slippage and changes and the likely achievement of business benefits.
- b) Responses for dealing with project risks, issues, slippage and changes.
- c) Mechanisms for successfully concluding a project.
- d) Meaning and benefits of an end project review, including benefits realization.
- e) Project management software may support the planning and monitoring of a project.

### **8. FINANCIAL ANALYSIS**

#### **Link between strategy and finance**

- i. Relationship between strategy and finance
- ii. Managing for value
- iii. Financial expectations of stakeholders
- iv. Funding strategies.

#### **Finance decisions to formulate and support business strategy**

- a) Overall investment requirements of the business.
- b) Alternative sources of finance for these investments and their associated risks.
- c) Efficiently and effectively manage the current and non-current assets of the business from a finance and risk perspective.

#### **Financial implications of making strategic choices and of implementing strategic actions**

- a) Efficiency ratios to assess how efficiently an organisation uses its current resources.
- b) Appropriate gearing ratios to assess the risks associated with financing and investment in the organisation.
- c) Appropriate liquidity ratios to assess the organization's short-term commitments to creditors and employees.
- d) Appropriate profitability ratios to assess the viability of chosen strategies.
- e) Appropriate investment ratios to assist investors and shareholders in evaluating organizational performance and strategy.

### **9. PEOPLE**

#### **Strategy and people: leadership**

- a) Role of visionary leadership and identify the key leadership traits effective in the successful formulation and implementation of strategy and change management.
- b) Alternative classical and modern theories of leadership in the effective implementation of strategic objectives. Methods of establishing human resource development.
- c) Contribution of competency frameworks to human resource development.
- d) Meaning and contribution of workplace learning, the learning organisation, organisation learning and knowledge management.

**Reading Material**

S.No.	Book Name	Author	Publisher
1	Business and E-Commerce Management	chaffey D.E	Prentice Hall (2007).
2	Business Process Change	Harmon P, Morgan	Kaufman publishers (2007).
3	Exploring Corporate Strategy	Johnson G, Scholes K and Whittington, R	Prentice Hall (2006)
4.	Strategic Project Management	Grundy T and Brown L	Thomson Learning
5.	What is Six Sigma?	Pande P and Holpp L	McGraw-Hill (2002).
6.	ISO 9001:2000	Tricker R and sherring-Lucas B	Butterworth Heinemann
7.	Management Accounting Decision-Making	Mirza Munawar Hussain	PBP, Professional Business Publications, Lahore
8.	Managerial Accounting	T. Lucy	DP Publications Ltd., Aldine Place, 142-144, Uxbridge Road, Shepherds, Bush Green, London W 128AW
9.	Managerial Accounting	Ray H. Garrison & Eric W. Noreen	South Western Publishing Co. USA.
10	Handbook of Management Accounting	Roger Cowe	Gower Publishing Co. Ltd Aldershot, England
11	Introduction to Management Accounting	Charls T. Horngren, Gary L. Sundem & William O. Stratton	Prentice-Hall of India (Pvt) Ltd New Delhi-110001
12	Managerial Accounting	Lane K. Anderson, Harold M. Sollenberger	South Western Publishing Co
13	Cost Accounting-A Managerial Emphasis	Charles T. Horgren Foster & Srikant M. Data	
14	Any other book/material		

## **CORPORATE LAW & GOVERNANCE**

### **AIM**

This subject aims to ensure that students understand the application of key aspects of business and commercial law to business organizations and recognize issues that require the advice of a legal professional. They must understand, apply and advise on the regulatory and governance requirements applicable to business organizations.

### **SYLLABUS**

#### **1 COMPANY LAW**

- Companies and other forms of business organisation, the development of company law.
- How a company is formed, types of company that may be formed, memorandum of association (including the objects and powers clauses), articles of association, and the promoters.
- Flotation of a company, application for and allotment of shares, commencement of business.
- Separate legal personality of the company, lifting the veil of incorporation, pre-incorporation contracts, the ultra virus rule, liability of a company in respect of unauthorized or irregular transactions, the doctrine of ostensible or apparent authority, the rule in Royal British Bank v. Turquand, tort and crime.
- The capital of the company – types of capital, the maintenance of capital and alteration and reduction of capital.
- Dividends and distribution of profits.
- Nature of a share, rights of the shareholder, duties of the shareholder, Different classes of shares, variation of rights of classes of shareholders, share certificates and warrants.
- Preference shares.
- Calls, liens, forfeiture and surrender of shares.
- Transfer and transmission of shares.
- Membership of the company – Becoming a Member, Capacity to be a Member, Register of Members, Disclosure of interests in shares.
- Shareholder agreements.
- Meetings of the Company.
- Majority and minority rights, the rule in Foss v. Harbottle and its exceptions.
- Borrowing by the company – borrowing powers of companies, debentures and floating charges, registration of charges and receivers.
- Insider dealing in shares.
- Investigation of a company's affairs.
- Winding up (by court and voluntary) creditors
- Directors appointment, Removal, Retirement.
- Audit of Accounts, Auditor appointment, retirement, appointment
- Prevention of oppression and management

#### **2 EXAMINERSHIP, RECEIVERSHIP AND LIQUIDATIONS**

- Appointment, rights and duties an Examiner.
- Powers of Examiner.
- Examiner ship process
- Examiner's report.
- Schemes of arrangement.
- Appointment, rights and duties of a Receiver.
- Powers of a Receiver.
- Appointment, rights and duties of a Liquidator.
- Types of winding up, compulsory winding up, voluntary winding up.
- Effects of examiner ships, receiverships or liquidations on shareholders, directors and employees.

- Charges and crystallization of charges
- Order of payment of debts and charges on liquidation.
- Protection of investors and creditors.
- Investigation of officers' conduct. – Civil and criminal remedies.
- Accounts of an Examiner, Receiver and Liquidator.

### **3 COMMERCIAL CREDIT AND SECURITY**

- Types of credit – vendor credit, lender credit, fixed term and revolving credit.
- Types of security – real security, possessor security interests, pledges, liens, non-possessor security interests, mortgages, charges, personal security, guarantees, indemnities, letters of credit, performance guarantees, letters of comfort, quasi-security, retention of title, bills of exchange, set-off agreements, use of assets as quasi-security.
- Formalities and registration of security interests, Bills of Sale Acts, Companies Acts.

### **4 CORPORATE GOVERNANCE**

- Definition(s) of Corporate Governance
- Agency Theory – potential conflicts of interest.
- The role of the executive board – board structures, holding board meetings, importance of agendas and meetings, accountability of boards. Directors' responsibility for Internal Control.
- Remuneration, transparency and accountability – the design of incentive compatible contracts, management incentives, role of remuneration committees, legal and stock exchange requirements, recognition and remuneration systems, disclosure requirements.
- Developing and supporting a compliance culture – directors' compliance statements, role of the audit committee, role of no executive board members.
- Corporate Regulation, the objectives and functions of:
  - The Companies Registration Office (CRO)
  - *Administration of the company the directors, the secretary, the annual return accounts and audit, mergers, arrangements, reconstructions and takeovers.*
  - Office of the Director of Corporate Enforcement (ODCE)
  - Stock Exchange (ISE)
  - The Financial Regulator
  - Irish Auditing and Accounting Supervisory Authority (IAASA).
    - The Combined Code.
    - Emerging issues and developments in Corporate Governance.
    - Irish Auditing and Accounting Supervisory Authority (IAASA).
    - The Combined Code.
    - Sarbanes Oxley Act—objectives, provisions and requirements and impact.
    - Emerging issues and developments in Corporate Governance.
    - Non Banking Finance Companies.
    - Investment companies/ Banks, Leasing Companies, Modaraba.
    - Arbitration arrangements reconstruction

### **5 APPROACHES TO CORPORATE GOVERNANCE**

- Essentials of 'rules' and 'principle based approaches to corporate governance. Includes discussion of 'comply or explain'.
- Different models of business ownership that influence different governance regimes (e.g family firms versus joint stock company- based models).
- Reasons behind the development and use of codes of practice in corporate governance (acknowledging national differences and convergence).
- Development of corporate governance codes in principles
  - based jurisdictions.
  - Impetus and background.
  - Major corporate governance codes.
  - Effects of.

## **6 CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY**

- Social responsibility in the context of corporate governance.
- Concept of stakeholders and stake holding in organizations and how this can affect strategy and corporate governance.
- Issues of 'ownership' 'property' and the responsibilities of ownership in the context of shareholding.
- Concept of the organization as a corporate citizen of society with rights and responsibilities.

## **7 GOVERNANCE: REPORTING AND DISCLOSURE**

- General principles of disclosure and communication with shareholders.
- 'Best practice' corporate governance disclosure requirements.
- Mandatory and voluntary disclosure of corporate information in the normal reporting cycle.
- Nature of, and reasons and motivations for, voluntary disclosure in a principles - based reporting environment.
- Purposes of the annual general meeting and extraordinary general meetings for information exchange between board and shareholders.
- Role of proxy voting in corporate governance.

## **8 LAW OF AGENCY**

- Introduction - nature and consequences of agency, identifying agents, types of agent, agency distinguished.
- Authority and power.
- The effects of agency.
- Principal and agent relations.

## **9 LAW OF EMPLOYMENT**

- Contract of employment, contract of service and contract for services.
- Formation of the contract.
- Terms of the contract.
- Rights of the employee.
- Duties and rights of the employer.
- Termination, unfair and wrongful dismissal, redundancy.
- Maternity leave, Paternity leave, Adoptive leave, Parental leave, Force majeure leave - rights and entitlements.

## **10 GOVERNANCE AND RESPONSIBILITY**

- Meaning of corporate governance.
- Issues raised by joint stock company as dominant form of business organization and the separation of ownership and controlled over business activity
- Purposes and objective of corporate governance
- Context of corporate governance., the key under pinning concepts of:
  - Fairness.
  - Openness/transparency.
  - Independence.
  - Probity/honesty.
  - Responsibility.
  - Accountability.
  - Reputation.
  - Judgment.
  - Integrity.
- Objective, content and leavication of corporate governance codes intended to apply to multiple national jurisdictions
- Organization for economic cooperation and development (OECD) Report (2004).
- International corporate governance network (ICGN) Report (2005).

**READING MATERIAL**

1. Company Law & Secretarial Practice in Pakistan by Prof. Dr. Khawaja Amjad Saeed, Institute of Business Management, G.P.O Box No. 1164, Lahore.
2. Practical Approach to Companies Ordinance 1984 by Nazir Ahmed Shaheen, Federal Law House, H/136 Murree Road, Committee Chowk, Rawalpindi.
3. Company Secretarial Practice by Q.A Wadud, Royal Book Company, 232, Saddar Cooperative Market, Abdullah Haroon Road, P.O.Box No. 7737, Karachi 74400.
4. Secretarial Practice by D.P.Jain, Konark Publishers (Pvt) Limited.
5. Bare Acts, Govt. of Pakistan Publishers, Karachi.
6. Manual of Corporate Governance by SECP, SECP Islamabad.
7. Corporate Law (Text Book) by Rober Carless Clark, Amazon.Com,
8. Kelly A. Holmes & R Hayward, Business Law, 5<sup>th</sup> edition, Cavendish, 2005.
9. Law for Business 13<sup>th</sup> edition, by Denis Keenan, Smith & Keenan, Published by Pearson Education, 2006.
10. Any other book/material



## ADVANCED AUDITING AND ASSURANCE

### AIM

This paper ensures completion and expiation of professionals and application of techniques as to how analyse, evaluate and conclude on the assurance engagement and other audit and assurance issues in the context of best practice and current developments.

### SYLLABUS

#### 1 REGULATORY ENVIRONMENT

##### International regulatory frameworks for audit and assurance services

- a. Need for laws, regulations, standards and other guidance relating to audit, assurance and related services.
- b. Legal and professional framework including:
  - i. The international standard-setting process
  - ii. The authority of national and international standards.
  - iii. Public oversight and principles of corporate governance.
  - iv. The role of audit committees.
- c) Effectiveness of the different ways in which the auditing profession and audit markets are regulated.

##### Money laundering

- a) Define 'money laundering' definition
- b) International efforts to combat money laundering.
- c) Scope of criminal offences of money laundering and how professional accountants may be protected from criminal and civil liability.
- d) Need for ethical guidance in this area.
- e) Accountants obligations to help prevent and detect money laundering including record keeping and reporting of suspicion to the appropriate regulatory body
- f) Importance of customer due diligence (CDD).
- g) Suspicious transactions and assess their impact on reporting duties
- h) Basic elements of an anti-money laundering program.

##### Laws and regulations

- a) Responsibilities of management and auditors concerning compliance with laws and regulations in an audit of financial statements.
- b) Auditors considerations of compliance with laws and regulations and plan audit procedures when possible non-compliance is discovered.
- c) Non-compliance reporting.
- d) Withdrawal from an engagement.

#### 2 PROFESSIONAL AND ETHICAL CONSIDERATIONS

##### Code of Ethics for Professional Accountants

- a) Fundamental Principles and the conceptual framework approach.
- b) Threats to compliance with the fundamental principles.
- c) Effectiveness of available safeguards.
- d) Conflicts in the application of fundamental principles.  
Fraud and error
  - a) Responsibilities of management and auditors for fraud and error.
  - b) Matters and procedures to investigate actual and/or potential misstatements in a given situation.
  - c) How, why, when and to whom fraud and error should be reported and the circumstances when an auditor

should withdraw.

- e) The current and future role of auditors in preventing, detecting and reporting error and fraud.

### **Professional liability**

- a) Circumstances in which professional accountants may have legal liability.
- b) Factors to determine an auditor is negligent in given situations.
- c) Criteria for legal liability to given.
- d) Liability to client with liability to third parties.
- e) Precedents of case law.
- f) Evaluate the practicability and effectiveness of ways in which liability may be restricted.
- g) Audit and other opinions may be affected by limiting auditors' liability.
- h) Advantages and disadvantages of claims against auditors being settled out of court.
- i) Principal causes of audit failure.
- j) Ways in which the expectation gap might be bridged.

## **3 PRACTICE MANAGEMENT**

### ▪ Quality control

- a) Principles and purpose of quality control of audit and other assurance engagements.
  - b) Elements of a system of quality control relevant to a given firm.
  - c) Quality control procedures that are applicable to a given audit engagement.
  - d) Engagement in accordance with professional standards and reports are appropriate in the circumstances.
    - Advertising, publicity, obtaining professional work and fees
  - a) Need for guidance in these areas.
  - b) Situations in which specified advertisements are acceptable.
  - c) Restrictions on practice descriptions, the use of the ICPAP logo and the names of practicing firms.
  - d) Reference to fees in promotional material.
  - e) Determinants of fee-setting.
  - f) Ethical and other professional problems involved in establishing and negotiating fees for a specified assignment.
    - Tendering
  - a) Reasons why entities change their auditors/professional accountants.
  - b) Matters is to submit a proposal or fee quote for an audit or other professional engagement
  - c) Information required for a proposal.
  - d) Content of an engagement proposal document.
  - e) Criteria used to evaluate tenders received from audit firms in a given situation.
  - f) Reasons of audit fees.
  - g) 'Low balling' and impairs independence.
    - Professional appointments
  - a) Matters and the procedures to carry out before accepting a specified new client/engagement including:
    - i) client acceptance
    - ii) engagement acceptance
    - iii) agreeing the terms of engagement.
  - b) Key issues that underlie the agreement and terms of an engagement with a client.
- Procedures for the transfer of books, papers and information following a new appointment.

## **4 ASSIGNMENTS**

### **Audit of historical financial information**

- a) Key features of the following audit methodologies:
  - i) risk-based auditing

- ii) 'top down' approach
  - iii) systems audit
  - iv) balance sheet approach
  - v) transaction cycle approach
  - vi) directional testing.
- b) Appropriate approach to a given assignment and recognize when an approach is unsuitable.

**Planning, materiality and assessing the risk of misstatement**

- a) Matters in planning a given assignment including:
- i) logistics (e.g. staff and client management, multiple locations, deadlines)
  - ii) use of IT in administration
  - iii) time budgets
  - iv) assignment objectives and reports required
  - v) client interface (e.g. communication methods)
  - vi) preliminary materiality assessment
  - vii) key financial statement risks
  - viii) an overall audit strategy.
- b) Materiality in financial reporting and auditing.
- c) Criteria to determine a matter is material and use and limitations of prescriptive rules in making decisions about materiality.
- d) Business risks in given situations.
- e) Factors that influence the assessment of a specified risk.
- f) Assessments of risks and materiality affect the nature, timing and extent of auditing procedures in a given situation.
- g) Appropriate risk assessment procedures, including analytical procedures.
- h) Risk of misstatement at the financial statement level and assertion level and audit procedures in response to assessed risks.
- i) Implications of a specified computer system (e.g. network) on an assignment

**Evidence**

- a) Appropriateness and sufficiency of different sources of audit evidence and the procedures by which evidence may be obtained including:
- i) analytical procedures
  - ii) management representations
  - iii) the work of others
  - iv) audit sampling
  - v) external confirmations
  - vi) audit automation tools.
- b) Audit procedures to obtain sufficient audit evidence from identified sources.
- c) Criteria for substantive analytical procedures.
- d) Analytical procedures to financial and non-financial data.
- e) Audit evidence
- i) specific assets, liabilities, transactions and events; and
  - ii) support financial statement assertions and accounting treatments (including fair values).
- f) Reasons for preparing and retaining documentation and the importance of reviewing working papers.
- g) Specific audit problems and procedures concerning related parties and related party transactions.
- h) Circumstances that may indicate the existence of unidentified related parties and select appropriate audit procedures.
- i) Use of written management representations as the primary source of audit evidence and as complementary audit evidence.
- j) Implications of contradictory evidence. Reliance on the work of an expert (e.g. a surveyor employed by the audit client).
- l) Appropriateness and sufficiency of the work of internal auditors and the extent to which reliance can be

placed on it.

### **Evaluation and review**

- a) Procedures (including the use of analytical procedures and checklists) and assess their role in detecting material misstatements.
- b) Quantitatively and qualitatively.
  - i) audit tests and procedures
  - ii) actual and potential misstatements.
- c) Auditor's responsibilities for corresponding figures, comparative financial statements.
- d) Considerations and audit procedures relevant to initial engagements.
- e) Courses of action available to an auditor if a material inconsistency or misstatement of fact exists.
- f) Specify audit procedures designed to identify subsequent events that may require adjustment to, or disclosure in, the financial statements of a given entity.
- g) Going concern basis and mitigating factors.
- h) Evidence the appropriateness of the going concern basis in given situations.
- i) Adequacy of disclosures in financial statements and implications for the auditor's report with relating to:
  - i. inventory
  - ii. standard costing systems
  - iii. cash flow statements
  - iv. changes in accounting policy
  - v. construction contracts
  - vi. taxation
  - vii. segment information
  - viii. non-current assets
  - ix. fair value
  - x. leases
  - xi. revenue recognition
  - xii. employee benefits
  - xiii. government grants and assistance
  - xiv. borrowing costs
  - xv. related parties
  - xvi. earnings per share
  - xvii. impairment
  - xviii. provisions, contingent liabilities and contingent assets
  - xix. goodwill
  - xx. brands
  - xxi. research and development
  - xxii. other intangible assets
  - xxiii. capital instruments
  - xxiv. financial instruments
  - xxv. investment properties
  - xxvi. transition to International Financial Reporting Standards (IFRS)
  - xxvii. share-based payment transactions
  - xxviii. business combinations
  - xxix. discontinued operations
  - xxx. held for sale non-current assets.

### **Group audits**

- a) Matters to be considered before accepting appointment as principal auditor.
- b) Organization, planning, management and administration issues specific to group audits.
- c) Specific audit problems and audit procedures relating to:
  - i. the correct classification of investments ii) differing accounting policies and frameworks

- ii. fair values on acquisition
- iii. intangibles
- iv. taxation
  - goodwill on consolidation
  - intra-group balances, transactions and profits
  - related parties
  - events after the reporting period
  - entities in developing countries.
- d) Letters of support ('comfort letters') as audit evidence.
- e) Matters to be considered and the procedures to be performed when a principal auditor uses the work of other auditors in a given situation.
- f) Implications for the auditor's report on the financial statements of an entity.

#### **Audit-related services**

- a) Nature of audit-related services, and the comparative levels of assurance provided by professional accountants.
  - i) Audit-related services and an audit of historical financial statements
  - ii) An attestation engagement and a direct reporting engagement.
- b) Review engagements
  - i) a review of interim financial information
  - ii) a 'due diligence' assignment (when acquiring a company, business or other assets).
- c) Importance of enquiry and analytical procedures in review engagements.
- d) General principles and procedures relating to a compilation engagement (e.g. to prepare financial statements).
- e) Agreed-upon procedures and compilation engagements do not (usually) meet the requirements for an assurance engagement.
- f) Form and content of:
  - i) a report of factual findings
  - ii) a compilation report.

#### **Assurance services**

- a) Main categories of assurance services and the benefits of providing these services to management and external users:
  - i) risk assessments
  - ii) business performance measurement
  - iii) systems reliability
  - iv) electronic commerce.
- b) Level of assurance (reasonable, high, moderate, limited, negative)
- c) Types of risk (e.g. strategic, operating, information).
- d) Operational measures and the reliability of performance information systems.
- e) Value for money audit and measures of economy, efficiency and effectiveness.
- f) Demand for reliable and timely reporting on financial information and the development of continuous auditing.
- g) Procedures for assessing internal control effectiveness.
- h) Using core technologies (e.g. EDI, e-mail, Internet, World Wide Web) and e-commerce.

#### **Prospective financial information**

- a) 'Prospective financial information' (PFI) and a 'forecast', a 'projection', a 'hypothetical illustration' and a 'target'.
- b) Principles of useful PFI.
- c) Matters before accepting a specified engagement to report on PFI.
- d) Level of assurance that the auditor may provide and explain the other factors.
- e) Procedures to verify forecasts and projections relating to: i) revenue

- i) capital expenditure
- ii) revenue expenditure
- iii) profits
- iv) cash flows
- v) Working capital
- f) Compare the content of a report on an examination of PFI with reports made in providing audit-related services.

#### **Forensic audits**

- a) 'Forensic accounting', 'forensic investigation' and 'forensic audit'.
- b) Major applications of forensic auditing (e.g. fraud, negligence, insurance claims) and role of the forensic auditor as an expert witness.
- c) Fundamental ethical principles to professional accountants engaged in forensic audit assignments.
- d) Procedures and evidence appropriate to determining the loss in a given situation.
- e) Terms under which experts make reports

#### **Internal audit**

- a) Objectives and principal characteristics of internal audit.
- b) Operational and compliance audits.
- c) Approach of cyclical compliance) and multi-site operations.
- d) Outsourcing internal auditing services.

#### **Outsourcing**

- a) Approaches to 'outsourcing' and 'in sourcing'.
- b) Advantages and disadvantages of outsourcing finance and accounting functions including:
  - i) data (transaction) processing
  - ii) pensions
  - iii) information technology (IT)
  - iv) internal auditing
  - v) due diligence work
  - vi) taxes.

Impact of outsourced functions on the conduct of an audit.

## **5 REPORTING**

### **Auditor's reports**

- a) Form and content of a standard unmodified auditor's report.
- b) Factors for forming an audit opinion in a given situation.
- c) Audit opinions consistent with the results of audit procedures.
- d) Extracts suitable for inclusion in an audit report.
- e) Implications of auditor's report on financial statements and compliance with IFRSs
- f) Assessment of proposed audit opinion.
- g) True and fair view'.
- h) Special purpose auditors' reports financial statements and an auditor's report on historical financial information.

### **Reports to management**

- a) Suitable content report and statements of facts, their potential effects and appropriate recommendations for action.
- b) Quality of a management letter.
- c) Reports to those charged with governance in a given situation.
- d) Need for timely communication, clearance, feedback and follow up.
- e) Effectiveness of communication methods.

### **Other reports**

- a) Form and content of the professional accountant's report for an assurance engagement as compared with an auditor's report.

- b) Content of a report on examination of prospective financial information. Effectiveness of the 'negative assurance' form of reporting.

## **6. CURRENT ISSUES AND DEVELOPMENTS**

### **Professional, ethical and corporate governance**

- a) Relative advantages of an ethical framework and a rulebook.
- b) Adequacy of existing objectivity and measures to improve independence.
- c) Emerging ethical issues and safeguards.
- d) IFAC developments including:
  - i) implementation and adoption of International Standards on Auditing (ISAs)
  - ii) significant current assurance issues being dealt with by IAASB.
- e) Relative advantages and disadvantages of partnership status, limited liability partnerships and incorporation of audit firms.
- f) Current developments in the limitation of auditors' liability risk of litigation in a given situation.
- g) Innovations in corporate governance (e.g. enterprise-wide risk management) and their impact on boards of directors, audit committees and internal auditors.

### **Information technology**

- a) Trends in IT and their current and potential impact on auditors (e.g. the audit implications of 'cyber incidents' and other risks).

### **Translational audits**

- a) 'Translational audits' and role of the Translational Audit Committee (TAC) of IFAC.
- b) Translational audits may differ from other audits of historical financial information (e.g. in terms of applicable financial reporting and auditing standards, listing requirements and corporate governance requirements).
- c) Need for international audit firm networks in implementing international auditing standards.
- d) Global auditing firms' and second tier firms.
- e) Impact of globalization on audit firms and their clients.
- f) Advantages and problems of current trends (e.g. to merge, to divest consultancy services).

### **Social and environmental auditing**

- a) Increasing importance of policies and relationship of an organization to its employees, society and the environment.
- b) Difficulties in measuring and reporting on economic, environmental social performance and sustainability indicators.
- c) Auditor's main considerations in respect of social and environmental matters and impact on entities and their financial statements (e.g. impairment of assets, provisions and contingent liabilities).
- d) Procedures to detect potential misstatements in respect of socio environmental matters).
- f) Form and content of an independent verification statement (e.g. on an environmental management system (EMS) and a report to society).

### **Other current issues**

- a) Potential problems associated with the audit of small enterprises.
- b) International Standards on Auditing and affect on smaller firms.
- c) Dominance of the global firms and their influence and impact on the accounting profession.
- d) Impact of developments in public company oversight on external auditors.
- e) Current developments in auditing standards and need for new and revised standards and their impact on the conduct of audits. Professional and practical matters affecting accountants, auditors. Their employers and the profession.

**READING MATERIAL**

1. Advanced Audit and Assurance (INT): Key Notes Published by Get Through Guides Ltd.
2. Audit & Assurance, Association of Certified Chartered Accountant, Published by Kaplan.
3. Audit & Assurance (UK) : Study Text, Published by BPP Learning Media.
4. Forensic Accounting and Fraud Investigation for non-experts, by H Silverstone and M Sheetz, 2<sup>nd</sup> edition, Published by Wiley, 2007.
5. Practical Auditing by Spice & Pegier, H.F.L Publishing Ltd.
6. Auditing by Culey and Baner South Wastern Publishing co.
7. Principles of Auditing by Depaula , Isaac Pitman & Sons Ltd
8. International IASC & Auditing Guideline by IASC IFAC &CLA Notification, ASC.IFAC. CLA
9. EDP Auditing conceptual Foundation & Practice by Ron Weber, Mograw Book co.
10. Any other book/material.



## FRAUD INVESTIGATION AND AUDIT

### AIM

This course seeks to highlight the challenges of fraud and its detection as well prevention as recognized now-a-days across the world. The professionals are required to:

- Recognize the characteristics of organizations in which fraud is likely to occur.
- Detect and deter accounting fraud, using the most recently developed techniques of investigation.
- Conduct an efficient and systematic fraud investigation.
- Use the latest methods for documenting fraud and preparing evidence and much more to carry out the audit of the organization.

### SYLLABUS

#### 1. FRAUD DEFINITIONS, MODELS, AND TAXONOMIES

- Classic Fraud Research
- Fraud Triangle
- Scope of Fraud
- Profile of Fraudsters
- Who is victimized by Fraud Most Often?
- Fraud Taxonomies
- Evolution of a typical fraud

#### 2. FUNDAMENTALS OF FRAUD INVESTIGATION AND AUDIT

- Brief history of fraud and the Antifraud Profession
- Auditors Mind Set
- Steps in Fraud Investigation
- What is Fraud Auditing?

#### 3. AUDITOR LIABILITY FOR DETECTING FRAUD

- Recent Developments in Auditor Liability

#### 4. BASIC RULES OF EVIDENCE

- Relevance
- Burdens of proof
- Direct and circumstantial evidence
- The course of evidence
- Cross examination
- Re-examination
- Hearsay

#### 5. BASIC RULES OF EVIDENCE

- Experts
- Documentary evidence
- Statutory provisions dealing with documents (Evidence Act, ss3.54-58G)

#### 6. INVESTIGATION I

Crime Investigation

- General Investigation
- Goals of Crime Investigation
- Evidence and its sources
- Successful Investigation

Crime scenes – Search of the Crime Scene: Examination of exhibits

#### 7. INVESTIGATION II

Interviewing witnesses

- Interviewing Techniques
- Specialized or supplementary techniques
- Documenting interviews (witness statements)

#### **Interrogation of Subjects**

- Interrogation fundamentals
- Law relating to interrogation

#### **8. ELEMENTS OF FRAUD RELATED OFFENCES**

- Theft
- Obtaining property by Deception
- Obtaining a Financial Advantage
- False Accounting
- Furnishing False Information
- Falsification of Documents
- Fraudulently Inducing persons to invest money
- Secret commissions
- Conspiracy

#### **9. CRIMINAL PROCEDURE CODE OF PAKISTAN**

- Definition and scope
- Constituent Elements
- Rationale
- Categories of Documents and Communications – their status as privileged documents
- Procedure upon a claim for privilege

#### **10. CASE MANAGEMENT**

- Team structure
- Initial complaint
- Assessment phase
- Investigation
  - Objectives
  - Resources
  - Brief preparation

#### **11. COMPUTER CRIME**

- What is computer Forensic?
- Identification
- Preservation
- Extraction
- Documentation
- Interpretation

#### **12. COMPUTER FORENSIC AT WORK**

- Evidence Identification
- Forensic Methodologies
- Computer Crime scene
- Hardware based Evidence
- Operating system based Evidence
- Application Based Evidence

#### **13. CIVIL PROCEDURE/CAUSES OF ACTION IN RELATION TO FRAUD**

#### **14. FORENSIC EVIDENCE**

- Role of Forensic Document Examination in Fraud Investigations.

- Types of Examinations
- Counterfeiting and Forgery
- Legal Issues Case preparation
- Evidence presentation: Case law & case studies Investigators Requirements – Document handling and preservation: collection of Standards and controls: Document protection issue.

#### **15. FRAUD THEORY**

- Fraud theory into the Audit Process
- ATM: Awareness, Theory I, Methodology

#### **16. THE FRAUD AUDIT**

#### **17. ORGANIZATIONAL FRAUD RISK ASSESSMENT**

- Risk Mitigation Decisions
- Enterprise- Wide Risk Assessment
- Business process Fraud Risk
- Data Assessment
- Fraud Penetration Risk Assessment
- Fraud risk at the Mega risk level
- Building the Fraud Audit Program at the Mega Risk Level

#### **18. FRAUD IN EXPENDITURE**

- Formation of Front companies
- Synopsis of Fraud scheme

#### **19. BRIBERY**

- Understanding the Legal Terms
- Audit Elements
- Audit Objective
- Notes

#### **20. REVENUE FRAUD**

- Embezzlement of Cash Receipts
- Other Embezzlement schemes

#### **21. ASSET FRAUD SCHEMES**

- Theft of Assets
- Other Assets Fraud Scheme

#### **22. FRAUD AUDIT REPORT**

- Suspicious Transaction
- Fraud Audit Report
- Considerations for Fraud Audit Reports
- Sample Fraud Audit Report

#### **23. FRAUD INVESTIGATION FOR THE AUDITOR**

- The difference between Audit and Investigation
- Organization policies for Responding to Fraud
- Framework for preparing an Investigation plan

#### READING MATERIAL

- 1- Corporate Fraud Handbook Prevention and Detection Second Edition by Joseph. T. Wells.
- 2- Fraud Case Book by Joseph. T Wells.
- 3- Fair Value Accounting- Fraud (New Global Risks & Detection Technologies) by Grand M Zack.
- 4- Computer Fraud Case Book (The bytes that Bite)By Joseph. T Wells.
- 5- Encyclopedia of Fraud 3<sup>rd</sup> Edition by Joseph T. Wells.
- 6- Computer and Internet Fraud Manual by Association of Certified Fraud Examiners.
- 7- Cyber Forensic (Manual for Collecting, Examining and Preventing Evidence of Computer Examine) by Abbert J Maccella Jr. e Doug Menendez
- 8- Fraud Case Book Lesson from the Bad Ride of Business by Joseph T Wells John Willy & Sons Publishing.
9. Any other book/material.

## ADVANCED RISK MANAGEMENT

### AIM

The objective of this course is to encourage bankers to develop the knowledge and skills as well as to equip themselves to identify and prepare for meeting these risks in the timeframes they unfold. What the bankers are expected to develop is a futuristic approach to risk management planning to enhance the preparedness of their banks for facing unfolding risks and market challenges. This skill has critical importance in ensuring the stability of the banking sector over extended periods. Keeping this objective in view areas with critical bearing on a bank's stability have been included in this course.

### SYLLABUS

#### 1. Network

- Overall profile of competition
- Deposit base, its mix and extent of support to the bank in asset funding and liquidity management
- Sale of the bank's range of products and services
- Risk asset base, its mix (legal entity types, facility and transaction types, skill support requirements, impact on bank's capital adequacy)
- Net contribution to bank's profitability
- Logistics problems (geographical access, connectivity, supervision and control)
- Competitive advantage/weakness
- Volatility (susceptibility of operations to disruption caused by external factors)

#### 2. Product and Service Range

- Developing customers bases in the following market segments:
- Designing the product or service package
- Infrastructure needs

#### 3 - Credit, operational and market risks management capability

#### 4. Credit Risk

- Trend Analyses:
- Changes in borrower psyche resulting from:
- Expected loss model:
- Changes in the profile of support services:
- In-house risk assessment capacity

#### 5. Operational Risk

- Definitions of operational risk:
- Operational risk management framework:
- Operational controls:
- Self-assessment versus risk assessment:

#### 6. Market Risk

- Volatility trends in:
- Developing trends in BOP and PSBR:
- Trade flows:
- Geopolitical uncertainties and impact on trade flows:
- Development of monopolies, powerful groups in the domestic markets:
- Trends in contract performance ethics:
- Building-in risk factor into lending operations:
- Liquidity risk

## **Futuristic skills in the bank's human resource**

### **9. Human resources**

- Risk assessment skills
- Specialization in financing specific business sectors:
- Financial and risk analysis
- Specifying risk monitoring requirements
- Service delivery skills
- Familiarity with service requirements
- Familiarity with functioning and capability of delivery systems
- System weaknesses and contingency measures
- Supervisory skills
- New demands created by the variety of services and products on sale
- Remedies for the gaps in data processing and reporting system
- Bank's compliance needs
- Creative skills:

### **10. Information Technology**

- Future demands
- Targets for eliminating manual operations:
- Risks and issues involved in centralized data processing
- Risk involved in software change

### **11. Sustainability of the required level of skilled workforce**

- A rational and clear relationship between employee empowerment, performance support, and actual output to consolidate the credibility of the reward system
- Continuously monitor industry averages of compensation for various cadres
- Devise career development paths and demonstrate their unambiguous implementation by up-grading all deserving employees
  
- Visibly convey to the employees the bank's commitment to up-grade employee skills to improve their ability to contribute and thus move up the line.

**READING MATERIAL**

1. Risk Management by Michel Chroury, Dan Galali and Robert Mark, McGraw Hill.
2. Financial Risk Management: Brian A. Eales, McGraw Hill.
3. Financial Modelling for Business Decisions: Bryan Kefford, Chartered Institute of Management, Kogan Page
4. The Bankers' Handbook: Edited by William H. Baughn, Thomas I. Storrs and Charles E. Walker, Topman International Edition, Tokyo
5. Foreign Exchange Handbook: Paul Bishop & Don Dixon, McGraw Hill Inc.
6. Financial Risk Management in Banking - The Theory and Application of Asset and Liability Management: Uyemura, Dennis G. & van Deventer, Donald R., McGraw-Hill
7. Performance management: Richard S. Williams, Thomson Press.
8. Liberation Management: Tom Peters, Fawcett Columbine, New York.
9. The Talent Management Handbook: Berger, Lance A. & Berger, Dorothy R., McGraw-Hill.
10. Any other book/material.