

# Learning outcomes

HKICPA's learning outcomes for the Module are set out below. They are cross-referenced to the chapter in the Learning Pack where they are covered.

## Fields of competency

The items listed in this section are shown with an indicator of the minimum acceptable level of competency, based on a three-point scale as follows:

- 1 Awareness  
To have a general professional awareness of the field with a basic understanding of relevant knowledge and related concepts.
- 2 Knowledge  
The ability to use knowledge to perform professional tasks competently without assistance in straightforward situations or applications.
- 3 Application  
The ability to apply comprehensive knowledge and a broad range of professional skills in a practical setting to solve most problems generally encountered in practice.

## Topics

		Competency	Chapter where covered
<b>LO1. Professional standards and guidance:</b>			
<b>Identify and where appropriate apply ethical standards, legislation and professional guidance:</b>			
LO1.01	The Institute's Code of Ethics for Professional Accountants:	3	
	1.01.01 Explain the fundamental principles and the conceptual framework approach		4
	1.01.02 Identify, evaluate and respond to threats to compliance with the fundamental principles		4
	1.01.03 Discuss and evaluate the effectiveness of available safeguards		4
	1.01.04 Recognise and advise on conflicts in the application of fundamental principles for Professional Accountants in practice and in business		4
LO1.02	Professional standards and guidance:	3	5
	1.02.01 Explain the importance of adherence to professional standards and guidance		
LO1.03	Legal and regulatory framework governing the profession:	3	
	1.03.01 Explain the regulatory framework for assurance and non-assurance engagements in Hong Kong		5
	1.03.02 Explain the nature and purpose of assurance and non-assurance engagements		5

		Competency	Chapter where covered
<b>LO2. Assurance engagements</b>			
<b>Apply relevant Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services, guidance and legislation to plan, perform and complete assurance engagements including the audits of financial statements with emphases on:</b>			
LO2.01	Audit requirements for a complete set of general purpose financial statements	3	
	Other assurance engagement requirements:	2	
2.02.01	Identify the level of assurance and the issues relating to other assurance and non-assurable engagements, including:		19
2.02.01.01	Reviews		19
2.02.01.02	Agreed-upon procedures		19
2.02.01.03	Pro-forma financial information		19
2.02.01.04	Investment circular reporting engagements		19
2.02.01.05	Preliminary announcements of annual results		19
2.02.01.06	Comfort letters		19
2.02.01.07	Due diligence work		19
LO2.03	Client and engagement acceptance procedures:	3	
2.03.01	Explain the reasons why entities change their auditors/professional accountants		7
2.03.02	Explain the requirements relating to the appointment of auditors under the Hong Kong Companies Ordinance		7
2.03.03	Explain the procedure for a change of auditors		7
2.03.04	Explain the rights of the auditors in the process of a change of auditors		7
2.03.05	Explain the professional clearance procedures		7
2.03.06	Explain the matters to be considered and the procedures that an audit firm/professional accountant should carry out before accepting a specified new client/engagement including:		7
2.03.06.01	Client acceptance		7
2.03.06.02	Engagement acceptance		7
2.03.06.03	Agreement of the terms of engagement		7
2.03.07	Identify the issues relating to the agreement of the scope and terms of an engagement with a client		7

		Competency	Chapter where covered
	2.03.08 Explain the procedures for the transfer of books, papers and information following a new appointment		7
LO2.04	Audit methodologies:	3	
	2.04.01 Describe the key features of the following audit methodologies:	3	
	2.04.01.01 Risk-based auditing		9
	2.04.01.02 Top-down auditing		9
	2.04.01.03 System-based auditing		9
	2.04.01.04 Systems audit		9
	2.04.01.05 Balance sheet approach		9
	2.04.01.06 Transaction cycle approach		9
	2.04.01.07 Directional testing		9
	2.04.02 Understand the cost and performance efficiency of different audit methodologies	2	
LO2.05	Planning and risk assessment:	3	
	2.05.01 Identify and explain:		
	2.05.01.01 The need for planning an audit		8
	2.05.01.02 The contents of the overall audit strategy and the audit plan		8
	2.05.01.03 The relationship between the overall audit strategy and the audit plan		8
	2.05.02 Develop and document an audit plan		8
	2.05.03 Explain how auditors obtain an initial understanding of the entity and its environment including the use of preliminary analytical review procedures		8
	2.05.04 Explain the components of audit risk		8
	2.05.05 Assess the risk of material misstatement at the financial statement level and assertion level		8
	2.05.06 Recognise and suggest overall responses to assessed risk		8
	2.05.07 Recognise and suggest specific procedures to respond to assessed risks		8
	2.05.08 Explain the effect of fraud and misstatements on audit planning and work		10
	2.05.09 Explain the effect of law and regulations, and non-compliance therewith, on audit planning and procedures		10

		Competency	Chapter where covered
LO2.06	Quality control considerations:	3	
	2.06.01 Explain the principles and purposes of quality control of audit and other assurance engagements		6
	2.06.02 Identify the features of a system of quality control relevant to a specific firm		6
	2.06.03 Choose and explain quality control procedures that are relevant to a specific audit engagement		6
	2.06.04 Assess and explain whether an engagement has been performed in line with professional standards and whether reports issued are appropriate		6
LO2.07	Documentation:	3	
	2.07.01 Document an audit plan		8
	2.07.02 Explain the need for and the importance of audit documentation		9
LO2.08	Materiality:	3	
	2.08.01 Define materiality and demonstrate how it should be applied in the context of financial reporting and auditing		8
LO2.09	Audit procedures:	3	
	2.09.01 Define audit sampling		9
	2.09.02 Explain the need for sampling		9
	2.09.03 Apply the basic principles of sampling		9
	2.09.04 Assess and explain the results of sampling		9
	2.09.05 Explain the importance of internal control to auditors and the execution of tests of control		3,11
	2.09.06 Explain how auditors identify weaknesses in internal control systems and how those weaknesses limit the extent of auditors' reliance on those systems		11
	2.09.07 Explain the types of substantive procedures and the issues in evaluating the results obtained		12
	2.09.08 Explain what is meant by analytical review and how analytical review procedures are used in an audit		12
	2.09.09 Explain the appropriate audit tests for:		
	2.09.09.01 Tangible non-current assets		13
	2.09.09.02 Intangible non-current assets		13
	2.09.09.03 Inventory		13
	2.09.09.04 Receivables		13
	2.09.09.05 Bank and cash		13

		Competency	Chapter where covered
	2.09.09.06	Trade payables and accruals	13
	2.09.09.07	Non-current liabilities	13
	2.09.09.08	Provisions and contingencies	13
	2.09.09.09	Capital and other issues	13
	2.09.09.10	Long-term investments	13
	2.09.09.11	Segment information	13
	2.09.09.12	Revenue	13
	2.09.09.13	Purchases	13
	2.09.09.14	Wages and salaries	13
2.09.10	Discuss the audit problems and identify procedures for the audit of:		
	2.09.10.01	Accounting estimates	15
	2.09.10.02	Fair values	15
	2.09.10.03	Opening balances	15
	2.09.10.04	Comparatives	15
	2.09.10.05	Related party transactions	16
2.09.11	Recognise and explain the issues relating to the audit of a group of companies		18
LO2.10	Audit evidence:		3
	2.10.01	Explain the procedures by which audit evidence may be obtained	3 9
	2.10.02	Assess the appropriateness and sufficiency (relevance and reliability) of different sources of audit evidence	3 9
	2.10.03	Explain the assertions contained in the financial statements and their use in obtaining evidence	3 9
	2.10.04	Explain the need to modify the audit strategy and audit plan following the results of tests of control	3 11
	2.10.05	Discuss why auditors may rely on the work of others, including internal audit, experts and service organisations	2 14
LO2.11	Internal audit:		2
	2.11.01	Explain the relationship between internal auditors and external auditors	3
	2.11.02	Discuss why auditors may rely on the work of others, including internal audit, experts and service organisations	3, 14

		Competency	Chapter where covered
LO2.12	Completion procedures:	3	
2.12.01	Explain the purpose of and procedures to be used in:		
2.12.01.01	A subsequent events review		16
2.12.01.02	A going concern review		16
2.12.01.03	Obtaining written representations from management		16
2.12.01.04	Review of report by other auditors to principal auditors of a group of companies		18
2.12.01.05	Overall review of the financial statements		16
2.12.01.06	Review of other published information		16
2.12.02	Explain the procedures required to identify and audit related party transactions		16
2.12.03	Explain the need to evaluate misstatements identified during the audit		16
2.12.04	Explain the follow up on illegal act or fraud found while performing an audit especially in the case of money laundering or corruption		10, 16
LO2.13	Reporting:	3	
2.13.01	Discuss and provide examples of how the reporting of internal control weaknesses and recommendations to overcome those weaknesses are provided to management		11
2.13.02	Explain the requirement for an auditor to report to management or those charged with governance		16
2.13.03	Explain and analyse the format and content of unmodified audit reports		17
2.13.04	Explain and analyse the format and content of modified audit reports		17
<b>LO3. Corporate governance</b>			
<b>Describe current developments and issues in corporate governance and explain the impact that it will have on management, assurance engagements and auditors' responsibilities:</b>			
LO3.01	Background to corporate governance developments:	2	
3.01.01	Explain the objectives, concepts, relevance and importance of corporate governance		1
3.01.02	Discuss the provisions of international codes of corporate governance (such as OECD) that are most relevant to auditors		1

		Competency	Chapter where covered
	3.01.03 Explain corporate governance developments in Hong Kong and the structure of the Code on Corporate Governance Practices and Corporate Governance Report in Hong Kong		2
LO3.02	Key issues relating to corporate governance including directors' remunerations, board composition, audit committee and non-controlling interest:	2	
	3.02.01 Explain the concept of stakeholder theory in corporate governance		1
	3.02.02 Describe the corporate governance requirements as set out in the Companies Ordinance and Hong Kong Stock Exchange Listing Requirements relating to directors' responsibilities (for example, risk management and internal control) and the reporting responsibilities of auditors		2
LO3.03	Management's responsibilities to comply with corporate governance requirements and to implement related practices:	3	
	3.03.01 Explain the responsibilities of management within the corporate governance framework		2
	3.03.02 Analyse the structure and roles of board committees and discuss their drawbacks and limitations		2
LO3.04	Auditors' responsibilities to consider and address corporate governance requirements:	3	
	3.04.01 Explain the auditor's responsibility to consider and address corporate governance requirements		2
LO3.05	Implications of overseas legislation such as Sarbanes-Oxley Act 2002 on Hong Kong companies and auditors:	2	
	3.05.01 Explain the effect of the Sarbanes-Oxley Act on Hong Kong companies and their auditors		3
<b>LO4. Computerised business systems</b>			
<b>Discuss the features of computerised business systems and assess and advise on risk and control frameworks:</b>			
LO4.01	Key features of a computerised business system:	3	
	4.01.01 Explain the characteristics of an entity operating a networked computer system		20
	4.01.02 Explain the characteristics of an entity operating with standalone PCs		20
LO4.02	<b>Categories and types of controls:</b>	3	
	4.02.01 State examples of controls in a computerised system		11, 20
	4.02.02 Define and give examples of general and application controls		11, 20

		Competency	Chapter where covered
LO4.03	Impact of increasing use and share of ownership by accountants in corporate information system	2	20
LO4.04	Impact of e-commerce:	3	
	4.04.01 Recognise and discuss the importance of e-commerce to a business		20
	4.04.02 Identify and explain the effect of e-commerce on the auditor's risk assessment and audit approach		20
	4.04.03 Identify the knowledge and skills required to audit an entity's e-commerce activities		20
LO4.05	Opportunities and threats to corporate information system including capabilities in data treatment and analysis, data integrity, system security and issues in access restriction, and business contingency/continuity	2	20
LO4.06	Risk and control framework:	3	
	4.06.01 Explain the audit problems of an entity operating a networked computer system		20
	4.06.02 Explain the audit problems of an entity operating with standalone PCs		20
LO4.07	Internal audit:	3	
	4.07.01 Explain the ways in which internal audit is of particular significance in a computerised accounting system		20
	4.07.02 Identify the procedures that an auditor may have to undertake to assess the role of internal audit		20
LO4.08	System change processes:	2	
	4.08.01 Explain the potential impact on the auditor where an entity changes its computerised system		20
LO4.09	Risk assessment and evaluation of IT processes:	2	
	4.09.01 Identify what factors the auditor may need to consider in assessing the audit risk of a computerised environment		20
	4.09.02 Describe the use of computer-assisted audit techniques (CAAT) in an audit		20



# List of Auditing Standards

The following list includes all the Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services in issue at 28 June 2011.

## Hong Kong Standards on Auditing

### Preface

Preface (Revised)	Preface to Hong Kong Standards on Quality Control, Auditing, Review, Other Assurance and Related Services
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### Glossary

Glossary (Clarified)	Glossary of Terms Relating to Hong Kong Standards on Quality Control, Auditing, Review, Other Assurance and Related Services
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### Hong Kong Standards on Quality Control (HKSQCs)

HKSQC 1 (Clarified)	Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
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### Hong Kong Framework for Assurance Engagements

Framework	Hong Kong Framework for Assurance Engagements
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### Hong Kong Standards on Auditing (HKSA)

HKSA 200 (Clarified)	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing
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HKSA 210 (Clarified)	Agreeing the Terms of Audit Engagements
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HKSA 220 (Clarified)	Quality Control for an Audit of Financial Statements
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HKSA 230 (Clarified)	Audit Documentation
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HKSA 240 (Clarified)	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
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HKSA 250 (Clarified)	Consideration of Laws and Regulations in an Audit of Financial Statements
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HKSA 260 (Clarified)	Communication with Those Charged with Governance
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HKSA 265 (Clarified)	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
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HKSA 300 (Clarified)	Planning an Audit of Financial Statements
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HKSA 315 (Clarified)	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment
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HKSA 320 (Clarified)	Materiality in Planning and Performing an Audit
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HKSA 330 (Clarified)	The Auditor's Responses to Assessed Risks
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HKSA 402 (Clarified)	Audit Considerations Relating to an Entity Using a Service Organization
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HKSA 450 (Clarified)	Evaluation of Misstatements Identified during the Audit
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HKSA 500 (Clarified)	Audit Evidence
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HKSA 501 (Clarified)	Audit Evidence – Specific Considerations for Selected items
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HKSA 505 (Clarified)	External Confirmation
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HKSA 510 (Clarified)	Initial Audit Engagements – Opening Balance
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HKSA 520 (Clarified)	Analytical Procedures
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HKSA 530 (Clarified)	Audit Sampling
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## Hong Kong Standards on Auditing

HKSA 540 (Clarified)	Auditing Accounting Estimates, including Fair Value Accounting Estimates and Related Disclosures
HKSA 550 (Clarified)	Related Parties
HKSA 560 (Clarified)	Subsequent Events
HKSA 570 (Clarified)	Going Concern
HKSA 580 (Clarified)	Written Representations
HKSA 600 (Clarified)	Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)
HKSA 610 (Clarified)	Using the Work of Internal Auditors
HKSA 620 (Clarified)	Using the Work of an Auditor's Expert
HKSA 700 (Clarified)	Forming an Opinion and Reporting on Financial Statements
HKAS 705 (Clarified)	Modifications to the Opinion in the Independent Auditor's Report
HKSA 706 (Clarified)	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
HKSA 710 (Clarified)	Comparative Information – Corresponding Figures and Comparative Financial Statements
HKSA 720 (Clarified)	The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements
HKSA 800 (Clarified)	Special Consideration – Audit of Financial Statements Prepared in Accordance with Special Purpose Framework
HKSA 805 (Clarified)	Special Consideration – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
HKSA 810 (Clarified)	Engagements to Report on Summary Financial Statements

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## Hong Kong Standards on Review Engagements (HKSREs)

HKSRE 2400	Engagement to Review Financial Statements
HKSRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity

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## Hong Kong Standards on Assurance Engagements (HKSAEs)

HKSAE 3000	Assurance Engagements Other than Audits or Reviews of Historical Financial Information
HKSAE 3402	Assurance Reports on Controls at a Service Organisation

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## Hong Kong Standards on Related Services (HKSRs)

HKSRs 4400	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information
HKSRs 4410	Engagements to Compile Financial Statements

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## Hong Kong Standards on Investment Circular Reporting Engagements (HKSIRs)

HKSIR 300	Accountants' Reports on Pro Forma Financial Information in Investment Circulars
HKSIR 400	Comfort Letters and Due Diligence Meetings on Financial and Non-Financial Information

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