



**The Institute of
Chartered Accountants
Of Pakistan**

Final Examinations Syllabus

Modules E & F

September 2006

FINAL EXAMINATIONS

MODULE – E		MARKS
Paper E 13	Information Technology Management, Audit and Control	100
Paper E 14	Advanced Accounting & Financial Reporting	100
Paper E 15	Corporate Laws	100
Paper E 16	Business Management	100
 MODULE - F		
Paper F 17	Management Accounting	100
Paper F 18	Business Finance Decisions	100
Paper F 19	Advanced Taxation	100
Paper F 20	Advanced Auditing	100

**FINAL EXAMINATION
MODULE E**

**PAPER E 13: INFORMATION TECHNOLOGY MANAGEMENT, AUDIT
AND CONTROL**

(100 marks)

INTRODUCTION

This syllabus aims to provide:

- Essential body of IT knowledge related to business information systems.
- IT security, control and governance knowledge related to business information systems.
- Application of knowledge to manage the above and evaluate IT.

The Case studies in ICAP study material for this syllabus are designed to assist the students in enhancing their knowledge and skills in: Managerial role; Evaluator role; Enterprise resource planning; and Electronic Commerce.

Case studies / scenario based questions will be set in the examination.

CONTENTS:

1. IT Strategy and Management

Broad knowledge / skill area	Main topic coverage	Illustrative sub-topics
IT strategy	Strategic considerations in IT development	<ul style="list-style-type: none">▪ Planning of information systems based on business success factors/criteria▪ Position of the entity within its industry/sector▪ Alignment/integration with business objectives/success factors▪ Risks: economic, technical, operational, behavioral▪ Components of long range plans▪ Operational dynamics that influences the entity's business/programs
	E-Business models	<ul style="list-style-type: none">▪ Business to Consumer (B2C)▪ Business to Business (B2B)▪ Business to Employee (B2E)▪ Consumer to Consumer (C2C)▪ Government to Citizen (G2C)

Management of IT	Management of computer operations	<ul style="list-style-type: none">▪ Developing operational priorities▪ Compatibility of computers▪ Planning IT capacity▪ Impact of IT on procedures▪ Data/information architecture▪ IT infrastructures (hardware, facilities, networks)▪ Software (systems, applications, utilities)▪ Performance measurement (productivity, service quality)
	Management of inter-organizational computing	<ul style="list-style-type: none">▪ Collaborative computing▪ Distributed system▪ EDI and electronic commerce▪ Outsourced services (ISPs, ASPs, etc.)
	Management of end-user computing	<ul style="list-style-type: none">▪ Technology diffusion▪ Information center, help desk▪ End-user system security▪ Support for end-user applications
	Financial analysis and control	<ul style="list-style-type: none">▪ Capital budget▪ Time/expense tracking▪ Cost charge out / monitoring▪ Accounting for system costs
	IT control objectives	<ul style="list-style-type: none">▪ Effectiveness, efficiency, economy of operations▪ Reliability of financial reporting▪ Effectiveness of controls (design, operation)▪ IT asset safeguarding▪ Compliance with applicable laws and regulations▪ System reliability:<ul style="list-style-type: none">- Availability and continuity (back-up, recovery)- Access controls (physical, logical)- Processing integrity (completeness, accuracy, timeliness, authorization)- Data integrity

Software	E-business enabling software	<ul style="list-style-type: none"> ▪ Supply chain management (SCM) ▪ Enterprise resource planning (ERP) ▪ Sales force automation (SFA) ▪ Customer relationship management (CRM) ▪ Electronic commerce systems: <ul style="list-style-type: none"> - Brochure, catalog, order entry, payment processing, fulfillment - Knowledge management systems - Knowledge creation, capture, sharing, maintenance
IFAC Guidelines / discussion papers		<ul style="list-style-type: none"> ▪ Managing Information Technology Planning for Business Impact ▪ Acquisition of Information Technology ▪ The Implementation of Information Technology Solutions ▪ IT service Delivery and Support ▪ Executive Checklist.

2. Information Technology Security, Control and Management

Broad knowledge / skill area	Main topic coverage	Illustrative sub-topics
Control frameworks	Risks and exposures in computer-based information systems	<ul style="list-style-type: none"> ▪ Error, fraud, vandalism/abuse, business interruption, competitive disadvantage, excessive cost, deficient revenues, statutory sanctions, social costs, etc. ▪ Effect of IT audit on organization, controls <ul style="list-style-type: none"> - Economic, technical, operational, behavioral considerations - Cost/benefit
	IT control frameworks	<ul style="list-style-type: none"> ▪ COBIT, ITCG, SysTrust, WebTrust, etc

Control objectives	Effectiveness, efficiency, economy of operations	<ul style="list-style-type: none"> ▪ Cost effectiveness of control procedures
	Reliability of financial reporting	<ul style="list-style-type: none"> ▪ Relevance, reliability, comparability / consistency
	Effectiveness of control (design, operation)	<ul style="list-style-type: none"> ▪ At a point in time; during a period of time
	IT asset safeguarding	<ul style="list-style-type: none"> ▪ Evaluation of facilities management and IT asset safeguarding
	Compliance with applicable laws and regulations	<ul style="list-style-type: none"> ▪ Prevention/detection of fraud, error and illegal acts ▪ Privacy, confidentiality, copyright issues
	System reliability	<ul style="list-style-type: none"> ▪ Availability and continuity (back-up, recovery) ▪ Access control (physical, logical) ▪ Processing integrity (completeness, accuracy, timeliness, authorization)
	Data integrity	<ul style="list-style-type: none"> ▪ Completeness, accuracy, currency / timeliness, consistency/comparability, authorization, auditability, ▪ Input /output; reception/distributic controls
Layer of control	Societal	<ul style="list-style-type: none"> ▪ Attitudes, laws and regulations
	Organizational environment	<ul style="list-style-type: none"> ▪ Board level, management level, IT administrative /operational level
	Technology infrastructure	<ul style="list-style-type: none"> ▪ Hardware, facilities, network
	Software	<ul style="list-style-type: none"> ▪ System, application
	Business process	<ul style="list-style-type: none"> ▪ User departments, individual user
Responsibility for control	Role and responsibilities of key parties	<ul style="list-style-type: none"> ▪ Board, top management
		<ul style="list-style-type: none"> ▪ IT management and IT personnel
		<ul style="list-style-type: none"> ▪ User departments, individuals
		<ul style="list-style-type: none"> ▪ Auditors

Control environment	External regulatory controls	<ul style="list-style-type: none">▪ Record keeping, privacy, copyright, taxation, etc,
	Board/audit committee governance	<ul style="list-style-type: none">▪ Regulatory compliance, fiduciary obligations, IT governance, system reliability
	Management philosophy and operating style	<ul style="list-style-type: none">▪ Integrity and ethical values, commitment to competence
	Plans/structure of organization	<ul style="list-style-type: none">▪ Leadership for IT organization, organization of IT function, segregation of incompatible IT and user functions, partnership with other organizations
	Method to communicate the assignment of authority and responsibility	<ul style="list-style-type: none">▪ Business practices, codes of conduct, documentation of systems, operations, user responsibilities, reporting relationships
	Management control methods	<ul style="list-style-type: none">▪ Strategic planning, business system/IT integration planning, budgeting, performance measurement, monitoring, compliance with policies
	Human resource policies and practices	<ul style="list-style-type: none">▪ Hiring, training, evaluation, compensation of IT personnel, career paths
	Financial policies and practices	<ul style="list-style-type: none">▪ Budgeting process; Cost charge out methods;
Risk assessment	Risk categories	<ul style="list-style-type: none">▪ Economic, technical, operational behavioral▪ Main reason for failure of computer Projects▪ Error, fraud , vandalism/abuse, business interruption, competitive disadvantage, excessive cost, deficient revenues, statutory sanctions, social costs, etc.

	Probability of loss	▪ Quantitative / qualitative
	Consequences	▪ Monetary, non-monetary ▪ Balancing costs of controls vs. costs of unmitigated risks
Control activities	Control design	▪ Objectives, framework, environment, activities, monitoring ▪ Legal, ethical, professional standards/requirements ▪ Preventive/detective /corrective strategies ▪ Effective control environment (personnel management methods) ▪ Preventative application controls ▪ Detective application controls ▪ Contingency plans, insurance
	Control procedures	▪ Authorization ▪ Separation of incompatible functions (organizational design, user identification, data clarification, user/function/data authorization matrix, user authentication) ▪ Adequate documents and records ▪ Asset safeguards; limitation of access to assets ▪ Independent check on performance; verification of accounting records, comparison of accounting records with assets ▪ Computer-dependent controls (edit, validation, etc.) ▪ User controls (control balancing, manual follow-up, etc.) ▪ Audit trails ▪ Error identification/investigation /correction / tracking
	Control over data integrity, privacy and security	▪ Understanding of data protection legislation ▪ Consideration of personnel issues and confidentiality

Control activities	Availability / continuity of processing, disaster recovery planning and control	<ul style="list-style-type: none">▪ Classification of information▪ Access management controls▪ Physical design and access control ▪ Logical access control (user authorization matrix)▪ Network security (encryption, firewalls)▪ Program security techniques▪ Monitoring and surveillance techniques ▪ Threat and risk management software and data backup techniques (problems of on-line systems, etc.)▪ Alternate processing facility arrangements▪ Disaster recovery procedural plan, documentation▪ Integration with business continuity plans▪ Periodic tests of recovery procedures▪ Insurance
	IS processing /operations	<ul style="list-style-type: none">▪ Planning and scheduling; service levels; Risks Standards<ul style="list-style-type: none">- Infrastructure (hardware, facilities, networks)- Software- Human resources (skill sets and staffing level)▪ Business processes▪ Performance monitoring Costs / benefits (quantitative and qualitative impact on management Jobs and office procedures)▪ Business drivers that impact IT (e.g., scalability, rightsizing, flexibility of change in technology)▪ or business, speed to market, cross-platform capability)

		<ul style="list-style-type: none">▪ Control over productivity and service quality▪ Software /data library management▪ Input/output distribution and control▪ Security and backup, and recovery
Monitoring of control compliance	Roles of management, users, auditors (internal, external)	<ul style="list-style-type: none">▪ Internal monitoring processes▪ Performance review processes▪ External monitoring processes▪ Processes for addressing non-compliance
	Computer-assisted audit techniques	<ul style="list-style-type: none">▪ Familiarisation with:<ul style="list-style-type: none">- System analysis and documentation (e.g., flowcharting package, review of program logic, etc.)- System /program testing (e.g., test data ,integrated test facility, parallel simulation etc.),- Data integrity testing (e.g., generalized audit software, utilities, custom programs, sampling routines, etc.)- Problem solving aids (e.g. spreadsheet, database. Online data bases, etc)- Administrative aids (e.g., word processing, audit program generation, work paper generators etc).

MODULE E

PAPER E 14: ADVANCED ACCOUNTING & FINANCIAL REPORTING (100 marks)

INTRODUCTION

The purpose of this syllabus is to prepare the students to appreciate prevailing financial regulatory environment and to apply the knowledge gained to practical situations for arriving at pragmatic solutions.

Students will be expected to be aware of the requirements of the International Accounting Standards (IASs) (and International Financial Reporting Standards as and when issued) as applicable in Pakistan and their application to practical situations and the informational needs of different users of accounts.

Students will be expected to analyse, interpret and explain the commercial activities of an organisation as shown by its financial statements. The emphasis will be on the presentation, interpretation and use of data.

Students should be able to prepare financial statements for complex business arrangements (e.g. reorganisations, demergers, business combinations, dissolutions, etc.) in accordance with applicable statutory disclosure requirements.

Students will be expected to be familiar with the preparation of the financial statements of enterprises engaged in specialised industries.

The students should be able to demonstrate an integrated knowledge of Financial Reporting.

The students are encouraged to be abreast of current accounting and financial issues.

The examinees are expected to possess profound understanding of the subject over and above what they have learnt at the Foundation and Intermediate stages. Topics examined at the earlier stages may or may not be directly re-examined here, however, examinees would need to utilise knowledge and skills learnt at an earlier stage.

Case studies / scenario based questions will be set in the examination.

INDICATIVE GRIDS

SYLLABUS CONTENT AREA	WEIGHTAGE
1. a) Financial Statements and Reporting b) International Accounting Standards and Statutory Requirements	30
2. Specific Accounting Areas	45
3. Analysis of Financial Statements	15
4. Specialised Financial Statements	10
TOTAL	100

Note: The weightages given above are for guidance purposes only and deviations in setting of papers may be expected.

CONTENTS:

1. a. Financial Statements and Reporting

- Preparation of financial statements, consolidated financial statements (including cash flow statements), and their disclosure.
- Accounting for investments in subsidiaries and associates undertakings
- Financial reporting on interests in joint venture
- Interim financial reporting
- Reporting on discontinued operations
- Preparation of statutory and directors' report
- Related party transaction
- Segment reporting

b. International Accounting Standards (IASs) and Statutory Requirements

- Recognition, measurement, accounting treatment and disclosure of various transactions and items in accordance with the requirements of IASs and their Interpretations issued by International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) respectively, adopted by the Institute of Chartered Accountants of Pakistan.
- Accounting treatments and disclosure requirements under the Companies Ordinance, 1984
- Specific departures from IASs under the local statutory requirements

2. Specific Accounting Areas

- Accounting of taxes on Income
- Accounting for leases
- Accounting for contracts
- Retirement benefits costs and pension plans
- Foreign currency transactions
- Business combinations
- Accounting for Investments
- Accounting treatment on changes of accounting policies and estimate including fundamental errors
- Recognition and measurement of financial instruments
- Valuation of intangible assets including research and development costs
- Impairment of assets
- Provisions and contingencies
- Revenue recognition of different items

3. Analysis of Financial Statements

- Needs of various users of financial statements and its importance
- Techniques for analysis
 - ◆ Horizontal and vertical analysis
 - ◆ Ratio analysis
 - ◆ Common-size statements
- Earning per share (EPS)
- Business and share valuations

4. Specialized Financial Statements

- Banks
- Leasing companies
- Insurance companies
- Mutual funds and similar enterprises
- Employee benefit plans (contribution / defined benefits)

MODULE E**PAPER E 15: CORPORATE LAWS****(100 marks)****INTRODUCTION**

The syllabus aims to provide the knowledge and understanding of corporate and other relevant laws, rules and regulations and to familiarize with the secretarial practices including the knowledge of handling various matters usually expected to be performed by the secretary of a corporate entity.

Case studies / scenario based questions in addition to descriptive Questions will be set in the examination.

The examinees are expected to possess detailed knowledge of the Companies Ordinance 1984 over and above what they have learnt at the Intermediate stage. Topics examined at the Intermediate stage may or may not be directly re-examined here, however, examinees would need to utilize knowledge and skills learnt earlier. The knowledge required for Companies Rules would also be comprehensive but for other Laws and regulations only general knowledge would suffice.

INDICATIVE GRID

SYLLABUS CONTENT AREA		WEIGHTAGE
1.	Practical aspects in respect of areas of the Companies Ordinance, 1984 covered at Module D examination in Company Law paper.	40
2.	Companies Ordinance, 1984 from section 261 onwards. Second schedule	
3.	Various Rules under the Companies Ordinance	30
4.	Secretarial Practices	15
5.	Other laws and regulations	15
TOTAL		100

Note: The weightages given above are for guidance purposes only and deviations in setting of papers may be expected.

CONTENTS:

1. Areas of the Companies Ordinance, 1984 covered at Module D Examination in Company Law Paper.

In the Corporate Laws paper at Final level, students are to have a more in-depth knowledge and understanding of those parts of the Companies Ordinance, 1984 which were covered in the Company Law paper at Module D, however, the emphasis of testing at the Final Examination level would be application of those provisions from a practical viewpoint. Testing would focus on the level of understanding of those provisions and their application.

2. Other specialized areas of the Companies Ordinance, 1984.

- a. Part VIII Investigation and related matters.
- b. Part VIII A Non Banking Finance Companies (NBFC)
Provisions as to Establishment and Regulation of NBFC
- c. Part IX Arbitration, arrangements and reconstruction.
- d. Part X Prevention of oppression and mismanagement.
- e. Part XI Winding-up
 - i) Modes of winding-up, and provisions relating to contributories (sections 297 and 306)
 - ii) Winding-up by court; provisions relating to the following:
 - Cases in which companies may be wound-up by the court (section 305 and 306).
 - Petition for winding-up (section 309 and 310).
 - Commencement of winding-up by the Court (Section 311).
 - Official liquidators (section 321 to 331, 333 and 334, 336 and 337, 339 to 341 and 346 to 350).
 - Enforcement of court orders (section 355 to 357)

* For section 328 and 329, students are only required to be familiar with the contents of statement of affairs to be made to official liquidator and report by official liquidator.
 - iii) Voluntary winding-up (Sections 358 to 401)
 - iv) Provisions applicable to every mode of winding-up
 - Status of companies being wound-up (section 402)
 - Proof and ranking of claims (Section 403 to 407)
 - Supplementary provisions as to winding-up (Section 421, 422 and 431 to 434)
- f. Part XIII Winding-up of unregistered companies
- g. Part XIV Companies established outside Pakistan (Section 450 to 462)
- h. Part XV Registration offices and fees (section 468 and 469)
- i. Part XVI General – legal proceedings, offences etc. (Section 494 and 496)

Second Schedule

- Salient features of disclosure requirements for prospectus or statement in lieu of prospectus and understanding of the reports and certificates to be included in the prospectus.

3. Various Rules under the Companies Ordinance

- a. Explanatory provisions only of Companies Rules 1985; knowledge of the contents of the Forms is not expected.
- b. Capital Issues – The rules for issue of capital by companies, premium on shares, issue of shares for consideration other than cash and related aspects, covered by the Companies (Issue of Capital) Rules, 1996 and Stock Exchange Rules.
- c. Companies (Appointment of Legal Advisors) Rules, 1975.
- d. Companies (Buy-back of Shares) Rules, 1999.
- e. Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000.
- f. NBFC Rules issued by SECP on April 01, 2003, Chapters I to III and Schedules I & IV only.

4. Secretarial practices

Floation of shares and securities including prospectus, offer for sale and convertible securities, stock exchange listing rules, underwriting, brokerage, etc.; and discount and premium on shares; application and allotment of shares, issue of share certificates and bonus and right shares and transfer and transmission of shares of companies, investigation and dividend.

- a) Filing requirements, maintenance of statutory books and registers under the Companies Ordinance, 1984.
- b) Meetings of shareholders and directors and all proceedings thereto, including notices, agenda, quorum, voting, poll, proxies, resolutions and minutes.
- c) Functions and responsibilities of the Securities and Exchange Commission of Pakistan under the SECP Act (Act No. XLII of 1997).

5. Other laws and regulations

a) Foreign Exchange Regulations – Foreign Exchange Manual 8th Edition

i) Chapter XIX Loans, overdrafts and guarantees

Part A: Rupee loans

Foreign exchange regulations relating to definition of foreign controlled companies, provisions for general permission for lending to foreign controlled companies for working capital, local borrowings by foreign controlled companies for capital expenditure.

Part B: Foreign private loans

Private foreign currency loans, repatriable foreign currency loans by foreign controlled companies for meeting working capital requirements, foreign currency loans (repatriable and non-repatriable basis) by Pakistani firms and companies functioning in Pakistan.

ii) Chapter XX – Securities

Knowledge and application of provisions relating to rules and regulations governing acquisition and holding of foreign securities, issue, transfer and export of Pakistani securities to non-residents, general exemption from the restriction on transfer and issue of Pakistani securities to non-residents, procedure for issue of shares to non-residents, trading of quoted shares by non-residents, and special instructions regarding shares transferred under the Central Depository System – CDS of the Central Depository Company.

b) Stock Exchange Listing Rules and Guidelines – especially those relating to secretarial matters, public issue of shares, Code of Corporate Governance and Transfer Pricing.

Laws governing certain specialized institutions

c) Banking Companies Ordinance, 1962 – Sections pertaining to audit and accounts, mainly sections 34 to 38 of the Banking Companies Ordinance, 1962.

d) The Central Depositories Act, 1997 and Central Depository Companies (Establishment and Regulation) Rules 1996 – Understanding of provisions relating to

- Central Depository System; and
- Effect of the Central Depository on provisions of the Companies Ordinance, 1984 relating to interalia, sending of notices to members, registration of transfers, payment of dividend, maintenance of register of members, issue of bonus and right shares and effect on the rights of members.

- e) Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980.

Provisions relating to the following:

- Definitions (Section 2)
- Registration of Modaraba Companies (Section 4 to 6)
- Provisions applicable to Modaraba (Section 7 to 23,33,37,41 and 42)

Modaraba Companies and Modaraba rules, 1981

- Rules 2 to 4,7 to 13,16 to 20-B,23 and 25 to 28
- First Schedule (Form no.1,9 and 11 including annexures)
- Third Schedule
- Fourth Schedule (salient features of matter to be specified in prospectus and reports to be set out therein)

- f) The Insurance Ordinance, 2000 – provisions relating to statutory and special audits and maintenance of accounts, mainly sections 45 to 49, 51 and 52 and the Securities and Exchange Commission (Insurance) Rules 2002 including regulations and Format accounts. Broad understanding of the Code of Corporate Governance for listed and unlisted insurance companies.
- g) The Securities and Exchange Ordinance 1969 and the Securities and Exchange Rules, 1971 – provisions pertaining to issuance of shares and securities to the general public (mainly section 9) and Insider Trading.
- h) Competition Ordinance 2007
- i) Listed Companies (Substantial Acquisition of Voting Shares and Take-over) ordinance, 2002.
- j) Rules and regulations framed by the Federal Government from time to time, as may be specifically notified by the Institute of Chartered Accountants of Pakistan for inclusion in the syllabus.

Note: Where specific reference to an Act, Ordinance, Rules, Regulations, Guidelines or SRO gazette notification is given it is to be assumed that it covers any subsequent amendments that may be made therein from time to time.

MODULE E

PAPER E 16: BUSINESS MANAGEMENT

(100 marks)

INTRODUCTION

The objective of this paper is that the individual should be able to:

- Identify the principles and concepts in the theories and practices of strategic business management;
- Asses the impact of environmental forces such as global microeconomic forces, international trade and financial system on organizational strategies and plans;
- Understand the importance of linking information systems development and management to business goals and needs;
- Understand the interplay of marketing with other vital functional areas in business management and to understand the accountant's role in servicing the needs of marketing and other functions of business;
- Recognize the role of global marketing and international business;
- Assess the importance of human resources development to organisations and identify methods of managing people effectively;
- Evaluate ways in which change can be managed successfully;
- Appreciation of social and ethical implication of strategic policies in business;
- Understand the aims of corporate codes of conduct and their role in improved corporate governance; and
- Understand the manager's role and responsibilities in relation to the working environment.

Case studies / scenario based questions will be set in the examination.

INDICATIVE GRID

SYLLABUS CONTENT AREA	WEIGHTAGE
1. Strategic management and planning	30
2. Corporate social responsibility and business ethics	30
3. Human resource management	20
4. Management of the working environment	20
5. Marketing Management	20
6. International Business	20
TOTAL	100

Note: The weightages given above are for guidance purposes only and deviations in setting of papers may be expected.

CONTENTS:

Indicative contents of major component of the subject are as under:

1. Strategic management and planning:

- a. The purpose of strategic management and business planning and their inter relationship
- b. The methods which organisations use to plan for the future including the role of information technology
- c. Position appraisal and analysis:
 - i) Identifying the organization's strengths and weaknesses, opportunities and threats
 - ii) Identification and quantification of the planning gap
 - iii) Closing the planning gap through the identification and evaluation of alternative courses of action: improved efficiency; improved product(s); or service(s); introducing new product; entering new markets; merging with or acquiring other organisations
 - iv) Use of alternative strategies
 - v) Quality and a strategic variable; its implementation and management
 - vi) Performance against operational and strategic targets; flexibility' economy, efficiency and effectiveness
 - vii) Performance against that of competitors; benchmarking; use of inter-firm comparisons; the limitations of external data
 - viii) Performance of costs, profit and investment centres using financial and non-financial measures
 - ix) Problems of measuring divisional and subsidiary company performance
 - x) International and multinational trading; transfer pricing of goods and services and their impact on trading results
 - xi) Impact of changing price level on current performance and the future projections
 - xii) Customer outlets, including customer profitability analysis
- d. The effect of external environment on strategy and plans and appraising the environment:
 - i) Scanning the environment of the organisation and the context in which it is set for changes, developments and opportunities
 - ii) Forecasting trends and developments in relevant areas through the use of relevant quantitative and qualitative analysis

- iii) Future basing (i.e Anticipating long-term prospects for the business and its likelihood of survival) and other scenario-building techniques
 - iv) Impact on the organisation of changing national and international influences: demography; technology (progressional alternative / acceptability); economic resources; social attitudes and aspirations; legislation and regulation; political forces; government and other agencies, including pressure groups
 - v) Competitive advantage:
 - its meaning in different markets and industries of nations and the implications of this for organisational success
 - the different approaches used by organisations and management in different countries and the lessons which can be applied to Pakistan
 - the effect on organisations of working in an international environment, the key aspects of that environment and methods of entry into it
 - vi) Use of renewable and non-renewable resources including the ethical implications of such use; the effect of the environment on corporate performance
 - vii) External sources of information, including databases, both private and public, and their usefulness to the organisation
 - viii) Impact of innovation, substitution and obsolescence on business process (including marketing and production)
 - ix) Impact of international market integration on the transfer of goods, services and labour
 - x) Comparative organizational performance: market share production capacity
- e. Methods of gaining support and commitment for strategies
- f. Establishing the corporate objectives:
- i) Organizational missions, aims, goals and objectives
 - ii) Long-term (strategic) and short-term (operational) objectives: quantitative and qualitative evaluation
 - iii) Application of decision theory
 - iv) Problems of achieving balanced growth and development
 - v) Internal and external factors effecting decisions; implication of 'short-termism'

- g. Formulating and evaluating plans with an awareness of the various techniques available to managers
- h. Understanding and managing the risk of a proposed business plan for the plan itself and for all the aspects of business which it will influence
- i. Reviewing strategy for the effect it will have on the organisation and the local and global community

2. Corporate social responsibility and business ethics

- a. Understanding of obligation towards society by business organisations and the individuals associated with it, in carrying out the business and professional activities
- b. Understanding ethical and social implications of business strategic policies and decisions and their impact on the stockholders; consideration thereof in the formulation and implementation of strategic planning and management decisions
- c. Disclosure and confidentiality
- d. Profit motives versus other corporate objectives
- e. Goal congruence and corporate performance measurement
- f. The role of professional bodies in regulating the activities of members

3. Human resource management

- a. The purpose and forms of personnel specifications in the recruitment of personnel
- b. Methods of identifying competencies and other attributes required
- c. Specifying personnel requirements
- d. Evaluating and determining the benefits and costs of new or additional personnel
- e. Identifying and determining suitable methods of recruitment
- f. Selection methods and their use
- g. Methods of motivating and supporting personnel
- h. Staff appraisals and the assessment of competence
- i. Warning and dismissing personnel: legal and organizational policies and procedures; the role of internal and external specialists in the process
- j. The role of employee group in promoting the welfare of personnel
- k. National legislation which affects recruitment, selection, employment and dismissal of personnel
- l. The management of organizational and personal changes
- m. Concepts and principles of human resource development
 - i) The role which individual and team development can play in growth and development
 - ii) The different concepts and models of competence
 - iii) Methods of encouraging and supporting individuals and teams to grow and develop
 - iv) The effect of internal and external factors on development
- n. Human relations management

4. Management of the working environment

- a. Interpretation, applying and monitoring best practices for managing the working environment
- b. National Legislation which affects the working environment
- c. The role and purpose of health , safety and security requirements, procedures and guidelines
- d. Roles and responsibilities of management for managing and improving the working environment

5. Marketing Management

An introduction to marketing principles, the purpose of marketing philosophy and concepts in providing for customer needs. Areas include:

- a. Strategy in the market place
 - i) Assessing threats and opportunities to the marketing plan; determining the need for change in the planning area
 - ii) Development of marketing strategies to meet organisation objectives
 - iii) Assessing the nature and size of the market using internal records, market intelligence, market research
 - iv) The process of creating, reviewing, selecting and marketing the right product in the right place, to the right customer at the right time, while achieving the right price; relevance of the product life cycle
 - v) The product portfolio; formulation, management, the relevance of branded merchandise
 - vi) Consumer power within the marketing environment
 - vii) Strategic management of markets through mergers, acquisitions and divestments
 - viii) Problems associated with the acquisition of the foreign subsidiaries especially in respect of performance appraisals
- b. Analyzing the impact of globalization on marketing to assess competitive advantage
- c. Techniques for analyzing the market, choosing the target market and the appropriate marketing mix, distribution channels, promotions, and developing a marketing plan

6. International Business

- a. The environment of global marketing, global opportunities and threats; difficulties in International business and alternative approaches to managing the process
- b. The development of multinational organisations and transnational corporations and their role in the world economy
- c. International financial management decisions
 - i) Alternative methods of financing imports and exports
 - ii) The workings of international money and capital markets and the opportunities that they offer to companies as a source of finance and as a repository for the investment of funds
 - iii) The management of financial resources within a group of companies including:
 - payments between companies
 - cash management
 - transfer pricing
 - judging the performance of companies within a group
 - the financial control of a group of companies
 - iv) The appraisal of international capital investments, applying the appropriate techniques, and the consideration of the major issues in the decision-making process, including:
 - strategic objectives
 - the principle of foreign home country versus host country returns
 - the form of foreign investments, including the use of branches versus subsidiaries
 - the different methods of financing foreign investments
 - the effect of taxation on foreign investment decisions
 - repatriation of sales amounts, earnings and charges to foreign operating companies
 - political risk analysis

**FINAL EXAMINATION
MODULE F**

PAPER F 17: MANAGEMENT ACCOUNTING

(100 marks)

INTRODUCTION

The objectives of this syllabus are:

- The understanding of cost accounting in relation to management functions.
- The application of financial information for control purposes.
- The development and interpretation of data for decision making.
- The techniques for performance appraisal and operational research.
- The candidates' ability to design and present plans and schemes to the management.

The examinees are expected to possess comprehensive understanding of the subject over and above what they have learnt at the Intermediate stage. Topics examined at the Intermediate stage may or may not be directly re-examined here, however, examinees would need to utilize knowledge and skills learnt earlier. The paper is designed to cover theory and practical aspects of management accounting with special reference to Pakistan and real life situations.

Case studies / scenario based questions will be set in the examination.

INDICATIVE GRID

SYLLABUS CONTENT AREA	WEIGHTAGE
1. a. Cost accounting objectives, classifications and systems b. Cost concept in decision making c. Marginal costing and decision making problems d. Pricing and output decisions	30
2. a. Standard Costing b. Budgetary control c. Management control systems d. Activity based costing e. Preparation and interpretation of financial forecasts f. Cost control g. Total quality management h. Non financial risk management	40
3. Working capital management	15
4. Quantitative techniques a. Learning curve b. Network planning c. Operational research and cost reduction d. Linear programming	15
TOTAL	100

Note: *The weightages given above are for guidance purposes only and deviations in setting of papers may be expected.*

CONTENTS:

1.
 - a. **Cost accounting**
Objective of a costing system; inventory valuation; cost classification; costing methods and systems, cost estimation; cost apportionment; job order costing; product costing (including process costing); and joint-and by-product.
 - b. **Cost concept in decision making**
Relevant and apportioned costs; differential cost, incremental cost; opportunity costs, and break-even & cost volume profit analysis
 - c. **Marginal costing**
Distinction between marginal costing and absorption costing; break-even analysis, cost volume profit analysis. Various decision making options.
 - d. **Pricing and output decisions**
Full cost pricing policies, including ROI; pricing of new products; opportunity cost; full cost vs marginal cost; transfer pricing methods and optimisation.
2.
 - a. **Standard costing**
Nature and method of standard, marginal and absorption costing; standard setting; variance analysis and disposals of variances; use of standard costs in internal and external reporting; responsibility accounting, comparison with budgets; classification of variances; and planning and operational variances.
 - b. **Budgets**
Concepts of budgetary control; advantages, administration and preparation of budget; functional budgets leading to preparation of master budget; fixed and flexible budgets; performance budgeting; the budget as part of the overall business plan; sales budget; sales forecast; production budget; direct materials budget; direct labour budget; manufacturing overhead budget; inventory budget; cost of goods sold budget; selling and administrative expenses budget; inflation aspects; zero based budgets, capital expenditure budgets and human & motivational aspects of budgets.
 - c. **Management control systems**
Responsibility accounting; decentralised divisional control; transfer prices; residual income and ROI as tools of control; centralised control and budgetary systems; evaluation of performance; performance budgeting. Reporting on performance at different levels.

- d. Activity based costing**
Activity based costing for control and decision making purposes.
- e. Preparation and interpretation of financial forecasts**
Preparation of projected financial forecast and application of probability and regression analysis in preparation of estimates
- f. Cost Control**
Cost control as distinct from cost determination. Control over wastages, scrap, spoilages, and defects.
- g. Total quality management**
Basic concepts and application of TQM
- h. Non financial risk management**
 - i) Aspects of risk, such as: political, economic, social, technological and fraud
 - ii) Techniques of minimising the risk of fraud, such as: fraud policy statements, effective recruitment policies and good internal controls especially over procurement and cash
 - iii) Principle of diversifying risk (no numerical calculations required)
 - iv) Risk of loss while goods are in transit and the risk of litigation

3. Working Capital Management

- a. Working capital- general**
 - i) Working capital requirements
 - ii) Short term financial ratios
 - iii) Working capital and the operating cycle
 - iv) Sources of short and medium term finance
 - v) Problems relating to working capital management
- b. Inventory management**
 - i) Costs associated with the acquisition and holding of inventories
 - ii) The derivation and use of the economic order quantity (EOQ) model
 - iii) Optimal production plans
 - iv) Financial ratios of inventory
 - v) Lead-time, buffer stocks and stock-out costs
 - vi) Perpetual inventory and continuous stocktaking
 - vii) Just-in-time (JIT) stock management

- c. Debtor/creditors management**
 - i) Collection policies
 - ii) Credit policies
 - iii) Customer evaluation
 - iv) Credit financing (including factoring)
 - v) Financing of imports and exports

- d. Cash management**
 - i) Solvency and liquidity
 - ii) Cash flow forecasting
 - iii) Uncertainty in cash forecasting
 - iv) Short term investment opportunities
 - v) Cash handling and transmissions

4. Quantitative Techniques

- a. Learning curve**

The theory of learning curve and its effect in cost estimation

- b. Network planning**

Concept and application; drawing simple networks; concept of critical path and float; accelerated project times; cost analysis; uncertainty; probability analysis; loading analysis; gantt charts; and time management.

- c. Operational research and cost reduction**

Introduction to operational research, application concepts and its advantages. Cost reduction: techniques for cost reduction such as work study, time and motion study and value analysis. Employee participation in cost reduction programmes, significance of constituting special cost reduction cells.

- d. Linear programming**

Introduction to mathematical programming and major forms of linear programming, principles, formulation of problems, graphical solutions, limitations of linear programming and shadow price concept.

Note: Questions will not be set involving application of simplex or assignment techniques.

MODULE F**PAPER F 18: BUSINESS FINANCE DECISIONS****(100 marks)****INTRODUCTION**

The aims of the syllabus are to provide a sound understanding of the conceptual principles and practical applications of modern analysis of financial decisions and of the relationship between sources of finance and financial management.

The candidates are expected to have complete understanding for the preparation, evaluation and implementation of practical business plans and reports on strategic and operational business decisions.

The paper is designed to cover theory and practical aspects of financial management with special reference to Pakistan and real life situations.

Case studies / scenario based questions will be set in the examination.

INDICATIVE GRID

SYLLABUS CONTENT AREA			WEIGHTAGE
1.	a.	Sources of local finance	30
	b.	International financing and financial management	
	c.	Capital structure, interest rate risks and cost of capital	
	d.	The dividend decision	
2.	a.	Capital investment decisions and project planning	40
	b.	Inflation and financial management	
	c.	Risk and Returns, including portfolio management	
3.	a.	Analysis and interpretation of published financial statements	30
	b.	Strategic planning	
	c.	Valuation	
	d.	Mergers, amalgamations and acquisitions	
	e.	Reports to management	
TOTAL			100

Note: The weightages given above are for guidance purposes only and deviations in setting of papers may be expected.

CONTENTS:

1. a. Sources of local finance

- i. Credit, money and capital markets in Pakistan
- ii. Raising capital, equity, debt, mezzanine debt, convertibles, factoring, warrants, term finance certificates, venture capital financing, project financing, short term finance.
- iii. Financial leasing
- iv. Futures
- v. Pakistani stock markets
- vi. Prudential regulations

b. International financing and financial management

- i. Raising international finance
- ii. Introduction to international financial management
- iii. Exchange rate risk management
- iv. Foreign exchange transactions

c. Capital structure, interest rate risks and cost of capital

- i. Capital structure: business and financial risk, financial gearing and operating gearing, the effect of taxes (except calculations involving the effect of personal taxes on capital structure), and impact on earnings per share
- ii. Interest rate risk management including the use of interest rate swaps
- iii. Cost of capital, equity, debt, convertibles, weighted average rate and use of cost of capital in investment appraisal.

d. The dividend decision

- i. Dividend and valuation
- ii. Information content of dividend, clientele effect and other factors affecting dividend levels.

2. a. Capital investment decisions and project planning

- i. Investment appraisal techniques: NPV, IRR, payback, ROI; and comparison of NPV and ROI
- ii. Investment appraisal under inflationary conditions
- iii. Relevant costs
- iv. The effect of taxation upon investment appraisal

- v. Replacement decisions using the equivalent annual cost method and deciding replacement policy
- vi. The effect on accounting profits and investor ratios of undertaking a particular investment decision
- vii. Lease or buy decisions
- viii. Make or buy decisions
- ix. Decisions under uncertainty, including expected values, sensitivity analysis and value of information
- x. Decisions under constraints, including interpretation of the linear programming output including dual values (shadow prices and opportunity costs), assumptions and limitations of linear programming, application of linear programming to capital rationing problems
- xi. Preparation of project report and evaluation of proposals
- xii. Social cost benefits analysis
- xiii. Project planning techniques

b. Inflation and financial management

Inflation and financial analysis; project appraisal under inflationary conditions; relationship with interest rates

c. Risk and returns, including portfolio management

- i. Measures of risk and return, and their relationship
- ii. Portfolio analysis; risk reduction effects and diversification
- iii. Attitudes to risk
- iv. Capital assets pricing model and its practical use

3. a. Analysis and interpretation of published statements

- i. Inter-firm and intra-firm comparisons through ratio analysis
- ii. Limitations of ratio analysis

b. Strategic planning

- i. Objectives
- ii. Production functions and resource analysis
- iii. Production strategy
- iv. Manpower planning
- v. Financial strategy
- vi. Competition strategy
- vii. Information strategy
- viii. Business and corporate plans
- ix. Implementation of business plans

c. Valuation

i) Valuation of business

- Earnings and asset valuation models
- Merger valuation models
- Attitudes to risk and analytical procedures for dealing with uncertainty
- Other factors (e.g. the impact of the accounting treatment of goodwill and intangibles on debt covenants; the nature of executives incentive contracts)

ii) Valuation of shares

- Earnings dividend and assets valuation models
- Valuing minority interests
- Valuing controlling interest
- Other factors influencing share values (including uncertainty)
- Identify components of shareholder value and identify ways in which shareholders value can be increased.

d. Mergers, amalgamation, acquisition, etc

Amalgamation, reconstruction, takeovers and mergers, including devising schemes and advising management.

e. Reports to management

i. The design and presentation of plans and reports

ii. Designing various forms and reports for different levels of management

iii. Specific reports

- On acquisition and disposal of business or assets
- On application for new or additional borrowings
- On specialised one-off assignments (e.g. management buy-outs)
- On other problem areas.

MODULE F**PAPER F 19: ADVANCED TAXATION****(100 marks)****INTRODUCTION**

The objective of this paper is to test comprehensive knowledge and understanding of the examinees on the income tax and sales tax laws prevailing in Pakistan, as are described below. The examinees shall also be expected to have command on the practical application of the laws. A general knowledge of the Central Excise Law will also be examined.

The paper covers the following laws.

- The Income Tax Ordinance, 2001
- The Income Tax Rules, 2002
- The Sales Tax Act, 1990
- The Sales Tax Ordinance, 2000 promulgated by the Provinces
- The Islamabad Capital Territory (Tax on Services) Ordinance, 2001
- The Central Excise Act, 1944
- Notifications, Rules, General orders and Circulars issued under the above mentioned laws

As candidates are required to have comprehensive knowledge of the laws described above, detailed contents are, therefore, not given hereunder. The examinees are expected to possess profound understanding of the subject over and above what they have learnt at the Intermediate stage. Topics examined at an earlier stage may or may not be directly re-examined, however, examinees would need to utilize knowledge and skills learnt at the Intermediate stage. This syllabus will be examined from Summer 2003 examination.

Knowledge of specific agreements for avoidance of double taxation will not be required. Candidates are also not expected to quote specific legal cases.

Case studies / scenario based questions will be set in the examination.

Notifications and circulars in respect of Finance Act/Ordinance, issued within a period of less than six months from the examination date will not be tested. However, the Finance Act/Ordinance would be examined from the attempt following its date of enforcement.

INDICATIVE GRID

SYLLABUS CONTENT AREA	WEIGHTAGE
A comprehensive knowledge and practical applications in respect of: <ol style="list-style-type: none"> 1. Income Tax Laws 2. Sales Tax Laws 	55 – 65 25 – 35
General knowledge in respect of : The Central Excise Act, 1944 (Chapters I & II only)	7 – 15
TOTAL	100

Note: The weightages given above are for guidance purposes only and deviation in setting of papers may be expected.

MODULE F

PAPER F 20: ADVANCED AUDITING

(100 marks)

INTRODUCTION

To ensure that students have acquired the competence to provide comprehensive audit and business assurance services, by testing their ability to integrate and apply their knowledge of auditing to realistic problems.

Students will be expected to have the knowledge of the International Standards on Auditing and Related Services, the International Auditing Practice Statements, Technical Releases and circulars issued by ICAP. For details see syllabus contents below.

Candidates will be expected to be aware of the role of Information Technology as part of the assurance process and should be fully conversant with the use of Computer-Assisted Audit Techniques (CAATs).

Students will be expected to display the ability to document the accounting and internal control systems of an enterprise and prepare simple flow charts thereon.

Students will also be expected to possess knowledge of the implications on the audit, of laws, rules and regulations covered in the Corporate Laws and Secretarial Practices paper.

Students will be expected to draft audit reports, qualifications in audit reports, management letters, internal control memoranda, representation letters, reports on case studies and any other types of letters or reports.

Knowledge of the Code of Ethics for Chartered Accountants issued by ICAP, CA Ordinance and Bye-Laws.

The students are encouraged to be abreast of current issues relating to the auditors and audit practice as discussed / reported in accounting magazines, national press, etc.

The examinees are expected to possess a profound understanding of the subject over and above what they have learnt at the Intermediate stage. Topics examined at the Intermediate stage may or may not be directly re-examined here, however, examinees would be required to utilise knowledge and skills acquired at the Intermediate stage.

Case studies / scenario based questions will be set in the examination.

INDICATIVE GRID

SYLLABUS CONTENT AREA	WEIGHTAGE
1) Practical aspects in respect of areas of auditing covered at Intermediate stage. 2) Advanced issues in planning an audit 3) Audit techniques and procedures 4) Evaluation of critical areas	35
5) Completion stages and the reporting function 6) Special reports 7) Special audits	25
8) Quality control for audit work 9) Management of audit clients and client relationships	10
10) International Standards on Auditing & Related Services, and International Auditing Practice Statements 11) Professional and ethical considerations	30
TOTAL	100

Note: The weightages given above are for guidance purposes only and deviations in setting of papers may be expected.

CONTENTS:

- 1. Practical aspects in respect of areas of auditing covered at Intermediate stage**
- 2. Advanced issues in planning an audit**
 - a. Consideration of laws and regulations in the audit of financial statements.
 - b. Performance of client acceptance procedures at the time of accepting new audit engagements and issuing engagement letters.
 - c. Consideration of the effects on an audit when:
 - (i) The financial statements are audited for the first time; or
 - (ii) when the financial statements for the prior period were audited by another auditor who has expressed an unqualified or a qualified opinion.
 - d. The examination of prospective financial information and its effects on different stages of audit.
 - e. Obtaining knowledge of business and significant business risks, and using it to develop overall audit approach plan.

-
- f. Considerations in using the work of:
 - (i) Internal auditors;
 - (ii) experts;
 - (iii) another auditor; and
 - (iv) audit Committees.
 - g. Determining the components of audit risk i.e. inherent risk, control risk, detection risk and use of this assessment to formulate overall audit plan in order to keep the audit risk to an acceptable low level.
 - h. Relationship between materiality and audit risk.
 - i. Development of the overall audit plan identifying the significant/critical audit areas.
 - j. Development of detailed audit programmes.
 - k. Organising and planning complex audit situations, including group audits, joint audits, multi-location engagements, special purpose engagements including due diligence reviews and related service engagements.
 - l. Identification of related parties and effects of transactions with related parties on the financial statements and auditors' opinion.
 - m. Security issues in computerised systems:
 - (i) IFAC guideline on Managing Security of Information; and
 - (ii) Information Security Governance Guidance for Boards of Directors and Executive Management. Both of these publications are available on IFAC website www.ifac.org.
 - n. Time budgeting, staffing and costing.
 - o. Changes to overall audit plan and audit programmes.
 - p. Maintenance and updating of Permanent audit files.

3. Audit techniques and procedures

Students should be able to identify objectives for particular audits, select and apply test of controls and substantive procedures to obtain appropriate evidence, evaluate the evidence, and draw reasonable conclusions including the following:

- a. Identifying risks of material misstatements in:
 - (i) Existence, ownership / obligation, accuracy / measurement, valuation and completeness of assets and liabilities;
 - (ii) appropriateness of accounting policies and their consistent application; and
 - (iii) disclosures in the financial statements of an entity, including additional information relating to capital commitments and contingencies and effects of post balance sheet events.
- b. Selecting one or more analytical procedures from comparison, averaging, ratio analysis and quantitative analysis (but excluding correlation, regression, time-series analysis and more advanced statistical techniques) to yield informative results relevant to identified risks.

- c. Applying selected analytical procedures to given financial and other data.
- d. Selecting one or more tests of controls and substantive procedures (using CAATs where applicable) from inspection, observation, enquiry (including management representations, assessment of the work of other auditors and specialists, and independent confirmations) and computations to provide evidence relevant to identified risks which will be sufficiently reliable and which avoid duplication of work.
- e. Outlining the differences between statistical and non-statistical methods of sampling and selecting samples from random, value-weighted, systematic, haphazard and block populations.
- f. Documentation of audit work alongwith evidence of review and conclusions drawn. Reporting of significant issues identified during the audit.
- g. Drawing straightforward conclusions regarding financial statements, given the results of analytical procedures, audit tests and post balance sheet events.
These conclusions should:
 - (i) Present and justify a view, where there is sufficient evidence to do so;
 - (ii) identify and justify requirements of further evidence, where there is insufficient evidence to form a view but such evidence could practicably be obtained; and
 - (iii) state that it is not possible to form a view, where there is insufficient evidence to do so and such evidence could not practicably be obtained.

4. Evaluation of critical areas

- a. Appropriateness of going concern assumption.
- b. Evaluating the effects on reporting responsibilities of an auditor resulting from:
 - (i) pending legal action;
 - (ii) fraud and error;
 - (iii) non-compliance with laws and regulations; and
 - (iv) taxation and tax related contingencies.
 - (v) other post balance sheet events
- c. Audit of accounting estimates.

5. Completion stages and the reporting function

- a. Review of financial statements including comparative information, directors report and other information included in documents containing audited financial statements to identify any departures from legal requirements and / or IASs, inadequacies in disclosures, internal inconsistencies and / or inconsistencies with other available information.
- b. Adequate disclosure of post balance sheet events in the financial statements and their effect on the auditor's opinion.
- c. Management representations regarding all significant matters.
- d. Forming and justifying an opinion on financial statements in the light of supervisory reviews and the results and conclusions from audit tests and procedures, which would comply with the requirements of the Companies Ordinance, 1984 or other laws related to special entities.
- e. Preparation of management letters, internal control memoranda of entities which include clear and concise statements of facts, their potential effects and recommendations for actions relevant to the needs and nature of the entity.

6. Special reports

- a. Special purpose reports e.g. on forecasts and estimates etc.
- b. Reporting and related services (compilation and review engagements).
- c. Reports on prospectuses.
- d. Certificates of auditors on statutory reports.
- e. Reports relating to bonus issues.
- f. Reports on prospective financial information.
- g. Audit reports on special purpose audit engagements.
- h. Special audit reports relating to forensic assignments.
- i. Reporting on due diligence engagements.
- j. Reporting on compliance with the Code of Corporate Governance.
- k. Report on component of financial statements
- l. Certificates on break-up value, net worth, right issue, other matters as specified from time to time by Regulating authorities.

7. Special audits

- a. Non statutory audits, cost audits, management audit, systems audits, operational audits, forensic assignments (including money laundering aspects), due diligence reviews, internal audit functions (in house and outsourced).

- b. Audits of specialised enterprises e.g. banks, insurance companies, investment companies, housing finance companies, employees' retirement funds.

8. Quality control for audit work

- a. Quality control policies and procedures:
 - (i) At audit firms (peer reviews); and
 - (ii) at individual audits.
- b. Specifying quality control procedures:
 - (i) the independence of the audit firm and audit personnel;
 - (ii) the skills and competence of audit personnel;
 - (iii) procedures for review of the audit working papers;
 - (iv) handling and safeguarding the audit working papers;
 - (v) procedures to resolve technical disagreements which will be suitable for a specific audit firm and which shall be cost effective;
 - (vi) quality control reviews (internal and / or by ICAP); and
 - (vii) the concept of audit committees.

9. Management of audit clients and client relationships

- a. Managing the audit clients, including compiling and reviewing information on clients throughout the year.
- b. Managing the audit relationship including negotiating the fee for services and discussion of administration and results of audit
- c. Confidentiality.
- d. Independence.

10. International Standards on Auditing & Related Services, and International Auditing Practice Statements

Students will be required to apply the standards and statements mentioned below to meet the learning outcomes of Syllabus contents in paragraphs 1 to 9 above.

- a. Detailed knowledge of ISAs 100 to 899 (except those not adopted by ICAP);
- b. sufficient knowledge of ISA 910, 920 and 930; and
- c. general awareness of International Auditing Practice Statements 1000 to 1006, 1008 to 1010, 1012, 1013 and 1014.

11. Professional and ethical considerations

Knowledge of ICAP Ordinance and Bye-Laws and Code of Ethics, adherence thereto and its implementation and enforcement including but not limiting to the following:

- b. Rules of professional conduct
 - (i) integrity, objectivity and independence
 - (ii) professional duty of confidence
 - (iii) changes in professional appointments
 - (iv) books, documents and papers
 - (v) corporate financial advice
 - (vi) conflicts of interest

- b. Professional responsibility and liability
 - (i) fraud and error
 - (ii) professional liability (including negligence)
 - (iii) misconduct
 - (iv) expectation gap
 - (v) professional indemnity insurance
 - (vi) insider dealing

12. Case studies

Case studies will be based on the whole subject and knowledge acquired during practical training. The candidates should be able to :

- a. Select and apply analytical techniques and methods from the syllabus according to the requirements of a particular case.

- b. Prepare recommendations for action in response to the case.