ACCA AA audit risk answer checklist

The four parts of a 2-mark point

1. Identify (½mark): the specific fact from the scenario, with its figure.
2. Explain (½mark): the balance or disclosure, the assertion, and whether it is likely to be overstated or understated.
3. Respond (1 mark): a procedure the auditor will carry out, the evidence it uses and the balance it tests.
4. Check: does the response test the same assertion you named?

Before you write

- Underline every fact that could affect a figure in the financial statements.
- Find more risks than you need: six or seven when five are asked for.
- Turn each business fact into a balance by asking what it does to the numbers.
- Use going concern once at most.
- Don't define audit risk unless the requirement asks for it.

Assertions to name

Assertion	Typical trigger
Valuation	Price cuts, slow-moving stock, customers in difficulty
Existence	Count before year end, assets held by third parties
Completeness	Legal claims, new systems, unrecorded liabilities
Cut-off	Sales bonuses, goods in transit at year end
Classification	Loans repayable in instalments, repairs capitalised

Response verbs that earn marks

Agree, inspect, recalculate, attend, review, confirm, obtain.

Responses that lose the mark

- Management actions, such as chasing customers or recruiting staff.
- "Increase testing" without saying what or how.
- Asking a third party for information it is unlikely to give.
- "Be sceptical" with no procedure attached.

Timing

About 1.8 minutes a mark: 18 minutes for 10 marks, 29 minutes for 16 marks.