

This study is on the effect of auditing guidelines on the manufacturing company. The total population for the study is 200 staff of breweries company plc, Enugu. The researcher used questionnaires as the instrument for the data collection. Descriptive Survey research design was adopted for this study. A total of 133 respondents made up human resource managers, production managers, breweries and junior staffs was used for the study. The data collected were presented in tables and analyzed using simple percentages and frequencies

CHAPTER ONE

INTRODUCTION

Background of the study

An audit is the independent examination of financial statement or related financial information of an entity whether profit or non-profit oriented and irrespective of size or legal form, when such examination is conducted with a view to expressing opinion therein. Auditing is the study of how to systematically, examine, investigate, review and consider financial statement, financial data, and books of account, records and situations so as to generate enough, relevant and reliable evidence to express opinion on the financial statement or situation.

Audit procedures responsive to risk of materials misstatement at the auditor in designing and performing further audit procedure, including test of the operating effectiveness of control, where relevant or necessary and substantive procedure whose nature, timing and extent are responsive to the assessed risk of material misstatement at the relevant assertion level. In addition, this section includes matters the auditor should consider in determine the nature, timing and extent of such further audit procedures.

The Auditor's assessment of the identified risk at the relevant assertion level provides a basis for considering the appropriate audit approach for designing and performing further audit procedures. In some cases, the auditor may determine that

performing only substantive procedures is appropriate for specific relevant assertions and risk. In those circumstances, the auditor may exclude the effect of control from the relevant. Risk assessment. This may be because the auditor risk assessment procedures have not identified any effective central relevant to the assertion or because testing the operating effectiveness of control would be inefficient. However, the auditor needs to be satisfied that performing substantive procedures of the relevant assertion would be effective in reducing detection risk to an acceptable low level.

In order to verify the adequacy of the financial statement and the company's internal control, one performs a series of audit procedures. According to Begntonot at audit procedures are methods or techniques the auditor uses to assess and collect material, sufficient and competent. The application of these procedures results in obtaining the necessary evidence to support the work of the auditor. Auditing is concerned with the verification of accounting standard. It means looking for sufficient evidence to satisfy oneself as auditor that the accounts show a true and fair view. Analytical and substantive test are part of these procedures.

` Audit procedures are performed in order to test financial statement assertion. Therefore the first step in explaining an audit procedure is to identify the assertion that need to be tested. Auditing Guidelines are these guidelines which have been approved for issue by the cancel of ICAN. Auditing guidelines are intended to give guidelines on:

- (a) Procedures by which the auditing standards may be applied.
- (b) The application of auditing standards to specific items appearing in the financial statement of enterprise
- (c) The application of auditing standard to particular section industries or service organizations
- (d) Other matter relating to the proper performance of audit work (Preface to auditing standards and guidelines ICAN199)

1.2 STATEMENT OF THE PROBLEM

Substantive testing within an audit environment is typically time Consuming. Consumes man-hours and audit resources that could prejudice efficiency of an audit work. Therefore, as the task could encounter an audit engagement so a better mix of substantive test to assist in saving hours that usually pleases customer would be an added value. This in turn results in a more efficient audit. The combinations of downward pressure on audit fees and demands that auditors take client financial information has led auditors to seek audit guidelines that are both efficient and effective.

Allied to the line of thought is a common worry of junior auditors on what causes the audit engagement team to choose a particular substantive test in the expense of the other. Given the reality, the question that governs the development of this study is as follows:

What are characteristics of analytical review procedure that guide auditors' judgement while choosing among a mix of procedures to meet the requirement of the substantive test.

OBJECTIVE OF THE STUDY

The objectives of the study are;

To examine the completeness that all transactions and asset, liability and equity account have been recorded.

To identify claim that the company holds the assets and owes the liabilities on the balance sheet.

To evaluate those assets, liabilities and equity are held in the financial statement at the correct amount

To find out that the transactions that resulted in the figures on the income statement actually took place.

RESEARCH HYPOTHESES

For the successful completion of the study, the following research hypotheses were

formulated by the researcher;

H₀: there is no the completeness that all transactions and asset, liability and equity account have been recorded

H₁: there is the completeness that all transactions and asset, liability and equity account have been recorded

H₀₂: the transactions that resulted in the figures on the income statement do not actually took place

H₂: the transactions that resulted in the figures on the income statement actually took place

SIGNIFICANCE OF THE STUDY

Auditing is the means of evaluating the effectiveness of company's internal control. Maintaining an effective system of internal control is vital for achieving a company's business objectives, obtaining reliable financial reporting on its operation, preventing fraud and misappropriation of its assets and minimizing its cost of capital both internal and independent but important ways. Having an effective Audit system is important for a company because it enable it to purpose and attain serious operate objectives. Auditors assess the risk of material misstatement in a company's financial report. Without a system of internal control or an audit system a company would not be able to create reliable financial reports for internal or external purpose according, an audit system is crucial in preventing debilitating misstatement in a company's records and reports. Internal audit services an important rate for companies' fraud prevention, recording analysis of a company's operations and maintaining rigorous system of internal control can prevent and detect various forms of fraud and other accounting irregularities. The cost of capital is important for every company, regardless of its size: cost of capital is largely comprised of the risk associated with an investment, and if an investment has more risk, an investor will require a higher rile of return to invest.

SCOPE AND LIMITATION OF THE STUDY

The scope of the study covers The effect of auditing guidelines on the manufacturing company's profit. The researcher encounters some constrain which limited the scope of the study;

a) AVAILABILITY OF RESEARCH MATERIAL: The research material available to the researcher is insufficient, thereby limiting the study

b) TIME: The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

DEFINITION OF TERMS

AUDIT: An audit is a asstematic and independent examination of books, account, statutory records documents and vouchers of an organization to ascertain how for the financial statement as well as non-financial disclosure present a true and fair view of the concern.

AUDITING PROCEDURE: Any tactic used by an auditor to identify inefficiencies reduce cost and ether-wise achieve organizational objective. (farlex financial Dictionary 2012 farlex, inc.)

SUBSTANTIVE test: A procedure used during accounting audits to check for errors in balance sheet and other financial documentation.

(www.businessdictionary.com/definion)

AUDITING: internal and external audits are a way for organizations to ensure compliance to a function, process, or production step (Wikipedia.org/wiki/Auditor)

AUDITOR: An Auditor is someone who is responsible for evaluating the validity and reliability of a company or organization's financial statements.

(www.e.economice.com/.../auditor)

FINANCIAL statement: Records that outline the financial activities of a business, an individual or any other entity (www.investopedia.com/terms/f/finanacial)

ASSET: An asset is an economic resource. Anything tangible or intangible that is held by a company to produce positive economic value. (en.wikipedia.org/wiki/Asset)

AUDITING standard: are set of standards against which the quality of audits are performed and may be lodged (en.wikipedia.org/wiki/Generally. Accounting)

MEASUREMENT: is the assignment of a number to a characteristic of an object or event which can be compared with other objects or event.

PROFIT: is a financial benefit that is realized when the amount of revenue gained from a business activist exceeds the expenses, costs and taxes need to sustain the activity. (2017, investopedia, LLC.)

1.8 ORGANIZATION OF THE STUDY

This research work is organized in five chapters, for easy understanding, as follows Chapter one is concern with the introduction, which consist of the (overview, of the study), historical background, statement of problem, objectives of the study, research hypotheses, significance of the study, scope and limitation of the study, definition of terms and historical background of the study. Chapter two highlights the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study

THE EFFECT OF AUDITING GUIDELINES ON THE MANUFACTURING COMPANY'S PROFIT

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