



51A Middle Street, Newburyport, MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

Course Information

Course Title: *Auditor Independence*

#371524

Number of continuing education credit hours recommended for this course:

CPA: 2 (All states)

In accordance with the standards of the National Registry of CPE Sponsors, CPE credits have been granted based on a 50-minute hour.

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy: 002146

Ohio State Board of Accountancy: CPE .51 PSR

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

Course Description

A constant concern for the auditor is ensuring that an adequate degree of independence is maintained between oneself and attest clients. In the *Auditor Independence* course, we delve into the different threats to independence, as well as dozens of scenarios in which the auditor needs to be aware of the safeguards that can be used to preserve an acceptable level of independence from clients. Particular attention is paid to safeguarding independence when both attest and non-attest services are provided to clients.

Course Content

Publication/Revision date: 2/20/2024.

Author: Steven M. Bragg, CPA.

Final exam (online): Ten questions (multiple-choice).

Program Delivery Method: NASBA QAS Self-Study (interactive)

Subject Codes/Field of Study

NASBA (CPA): Regulatory Ethics

Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Overview

Prerequisites: None

Advance Preparation: None

Instructions for Taking This Course

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- **You must complete this course within one year** of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Objectives

- Describe the elements of the independence concept.
- Specify the different types of threats to independence.
- Describe the independence threats that can arise from a merger of audit firms.
- Describe the manner in which independence can be applied to the affiliates of an attest client.
- Specify how a clause in an engagement letter could trigger an independence threat.
- Explain the nature of the various types of financial interests.
- Describe the circumstances under which an accountant can have an account with a depository institution and not have an independence issue with it.
- Specify how an accountant's teaching arrangement with a local college will still allow her firm to conduct an attest engagement with the college.
- Describe the issues to consider when deciding whether a gift could cause an independence threat.

About the Author

Steven Bragg, CPA, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 250 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*.

Copyright © 2024 by AccountingTools, Inc. All rights reserved.

Published by AccountingTools, Inc., Centennial, Colorado.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to Steven M. Bragg, 6727 E. Fremont Place, Centennial, CO 80112.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

Table of Contents

Auditor Independence	1
Introduction	1
Conceptual Framework for Independence.....	1
Violation of the Independence Rule	2
Covered Members	2
Ethical Conflicts.....	2
Threats to Independence.....	3
Safeguards	4
Network Arrangements	5
Alternative Practice Structures	5
Non-Independent CPA Firms.....	6
Audit Firm Mergers and Acquisitions	6
Client Affiliates	7
Entities Included in Governmental Financial Statements.....	8
Reissued Reports	8
Engagement Terms.....	8
Fees	9
Financial Interests	9
Trusts and Estates.....	11
Employee Benefit Plans	11
Depository and Brokerage Accounts.....	11
Insurance Products	12
Loans	12
Leases	13
Business Relationships	13
Family Relationships with Attest Clients	13
Current Employment or Association with an Attest Client	14
Former Employment or Association with an Attest Client	15
Considering Employment with an Attest Client.....	15
Later Employment by an Attest Client.....	15
Memberships	16
Gifts and Entertainment.....	16
Actual or Threatened Litigation	17
Nonattest Services	17
Advisory Services	19
Appraisal, Valuation, and Actuarial Services	19
Benefit Plan Administration	19
Bookkeeping, Payroll, and Other Disbursements	20
Business Risk Consulting	20
Corporate Finance Consulting	20
Executive or Employee Recruiting	21
Forensic Accounting	21
Hosting Services	21
Information Systems Consulting.....	22
Internal Audit.....	22
Investment Advice or Management	23
Tax Services.....	23
Independence Standards for SSAE Engagements	24
Breach of an Independence Interpretation.....	25
Summary	26
Review Questions.....	27

Answers to Review Questions	28
Glossary	30
Index	31