accounting theory 12–13, 18, 24, 45
agreement on what is wanted from
a practice 22–3; see also
desirability characterisation
Alexander, D.: on criteria of adequacy

Alexander, D.: on criteria of adequacy 58, 75; three approaches to true and fair 59–61; type A criterion of true and fair 66–7; type B criterion of true and fair 68–9, 71; type C criterion of true and fair 63, 65

American Institute of Certified Public Accountants (AICPA) 44, 65–6, 90–1, 147

applied science 15, 17

assertions in financial statements 74, 80–2, 87; and evidence 39, 93–4; Mautz and Sharaf's explanation 87–8; the nature of 88–90; and relevant and reliable information 90–2; see also scepticism

assurance engagements 2 audit evidence: and descriptive conceptual enquiry 80; IAASB's conception 80-1; importance 79-80; and predictions and estimates 105-6; and probability 96-9; and rational argumentation 93-5; and reasonable assurance 110-11; and stories and generalisations in auditing 102-5; and stories and generalisations in law 99-102; that enables the opinion 81-3; what it is 107-8; see also criterial evidence, inductive evidence, reasonable assurance,

scepticism

audit opinion: explanations of the opinion 57; see also descriptive conceptual enquiry into 'true and fair', evaluative conceptual enquiry into 'true and fair'

auditing theory: and the activity of theorising 13-14; agreeing on objectives or what is wanted 19-20; descriptive conceptual enquiry into 'accounting theory' 12-13; and the expression of what is wanted from a practice 33-4; need for but lack of interest in 1; and reasoning 15-16; as promulgating rules 14-15; as something that assists standard setters in making decisions 4; see also CoNAM, conceptual frameworks, moral reasoning, normative theorising, positive theorising, self-interest Ayer, A. 94, 100, 109

backward argument 31–2, 42, 48, 50 Bayes's rule 97–8 best explanation 102, 103–4, 107, 110–12, 143 books on auditing theory 2

Canadian Institute of Chartered
Accountants (CICA) 131–4,
137, 144, 146–7
Code of Ethics 49–50, 146
Committee of Sponsoring
Organizations of the Treadway
Commission (COSO) 148
CoNAM 17

concepts 6–7; of auditing 125, 131, 153; of evidence 80; of materiality 128; and philosophy 12, 67; social construction of 9, 127; and theory 13, 152; their importance 8; of true and fair' 58, 61–2, 85; and underlying objectives of creation 9

conceptual enquiry 7–10, 33; and philosophy 34–5, 67; into professional judgement 132–4; into 'true and fair' and 'presents fairly' 58–61

conceptual frameworks 4-5; and approaches to 'true and fair' 59-61, 68-74; for auditing 38, 42; and codes of ethics 49-50; and concepts 6-7; and cost constraints 128; and criteria of adequacy 84-5, 87, 91-2, 143; and decision making 4; and deductive reasoning 70; and determining practices 34; and ISA 200 54; and materiality 117; and normative theorising 33; and objectives statements 9, 19, 22, 28, 38, 41, 53; and principles 7-8; and principlesbased standards 138; and reflective equilibrium 31-2; role of academics in constructing 23; and standard setting decisions 19-21, 26; as a theory 15, 33-4, 45, 152; and what is wanted from a practice 18, 61, 64

decision-making 4, 20–1, 27, 79, 122, 127, 134–5, 138, 140, 142; see also judgement and decision-making

counterfactual statements 118; and

118 - 20

criterial evidence 83-7

connection with generalisations

deductive reasoning 28, 31–2, 70–1; 95–6, 109, 137; and evidence 112; and judgement 135, 141–2, 147; and materiality 120

desirability characterisation 25–7, 32, 34–5, 38, 45, 49; and postulates 44, 46; and premises in practical reasoning 42, 47

expectations gap 40-1

faithful representation 19, 28, 72
Fédération des Experts Comptables
Européens (FEE): algorithms
140; judgement 141; the need
for interpreting rules 139
Flint, D. 1, 2, 9, 39, 43–4, 47, 66
forward argument 31, 33, 42, 47, 50

generalisations 15, 30, 33, 85, 92, 99, 106–8, 112–13; and counterfactuals 118–19; and materiality judgements 122–4, 144; and reliability 143–4; and statistical-inductive reasoning 120–2, 145; and stories in auditing 102–5; and stories in law 99–102

inductive evidence 93-4; 96; 99, 112, 126, 143

inductive reasoning 95, 100, 109, 112, 136, 144-6

inductive-statistical reasoning 16, 120-2, 126-7, 136

institutional practice 3, 23, 33, 52, 138 International Accounting Education Standards Board (IAESB) 147–8

International Audit and Assurance
Standards Board (IAASB) 1, 2,
38; and professional judgement
133, 145–6; and the Clarity
Project 141–2; conception of
evidence 80–1, 104; criterial
evidence for the opinion 86–7;
definition of audit evidence
107–8; definition of scepticism
108; explanation of materiality
117, 119; search for evidence
110–11

International Ethics Standards Board for Accountants (IESBA) 49, 146

International Standards on Auditing (ISA) 200 2, 38–43, 47–9, 54, 57, 79–82, 86, 93; and departures from requirements of ISAs 141; and materiality 116, 125; and professional judgement 131–34; and scepticism 108–10

International Standards on Auditing (ISA) 315 74, 81, 90, 91, 92, 95, 139

International Standards on Auditing (ISA) 320 117

International Standards on Auditing (ISA) 450 116, 11

International Standards on Auditing (ISA) 500 48, 79, 81, 87, 110, 111

International Standards on Auditing (ISA) 570 41

International Standards on Auditing (ISA) 700 48, 52

International Standards on Auditing (ISA) 705 116

judgement and decision-making literature 79, 133-4

logic of appropriateness 4, 14, 138-42

Macve, R. 24
March, J. 136–7, 138
materiality: descriptive conceptual
enquiry into 'materiality' and

'material misstatement' 116–18; developing the concept 126–9; guidance on materiality by standard setters and regulators 124–6; importance 116–17

Mattessich, R. 15–17, 23, 25, 135, 138 Mautz, R.K. and Sharaf, H.A. 1, 2, 3, 4, 9, 10, 43, 45; on evidence 82, 93, 95–6; on philosophy 10–12; on postulates 45–6; see also assertions

moral reasoning 28-30

normative theorising 14–23, 24, 32–3; and identifying what is wanted from a practice 41–2; and promulgating rules for a practice 3, 104

objectives of auditing: identifying 41–3; in ISA 200 38–40; and what is good 50

philosophy 1, 2, 3, 9–10, 14, 34, 57, 84; of auditing 3, 9–12, 34, 35; moral 17, 50; and scepticism 109; and science 10–12; of science 15; see also Mautz and Sharaf

principles-only standards 52–3 political decisions 19–20 positive accounting theory 2, 24 postulates of auditing 22, 44–7 Power, M. 7, 8, 31, 34, 39–40, 116, 123–5

practical reasoning 5, 14–16, 31–2, 45; contrast with deductive reasoning 95; and decision making 134–8; to decisions to follow a rule 66; from desires in the conceptual framework 91; and the desire to give an opinion 57; and desires 38, 42, 47–9, 70–1, 81; and evidence 79; and judgement 143, 145; and the logic of consequences 138–41; and materiality 144; and standard setting decisions 22–3, 26–8

practices 3–4
prescription 3, 8, 15, 21, 26, 42, 61,
65, 97, 104, 153; agreement on
what is wanted role of academics
in providing 17–18; practical
reasoning to 26, 45, 48–9;
reasons for 22–4; and theory

presents fairly 58, 63, 65, 75–6, 84–5 presumptive doubt 109 principles: in auditing 11, 45; in

50-4

conceptual frameworks 4–5, 7, 28, 44–7; ethical 49; generally accepted accounting principles 60, 63–6, 75, 84–6; moral 29–31; in philosophy 10; in science 10–11

principles-based standards 53–4 probability 82, 85–6, 96–8, 104, 122 professional judgement: and decision making 134–8; descriptive conceptual enquiry into 'professional' 145–7; descriptive conceptual enquiry into 'professional judgement' 132–4; about financial statements 142–3; prescriptive conceptual enquiry 148; in relation to materiality 144; in the search for

evidence 143–4 promulgating rules 21, 27, 32, 38, 54, 104; and academics 16–17; distinguished from normative theorising 18, 21; and normative theorising 14–15; and reasoning 15–16; and standard setting 16

purpose of auditing 11, 41–2; what lies behind 43–4

purposes of theories 13, 45

Rawls, J. 30–1, 65–6 reasonable assurance 38–1, 48, 51–2, 79–1, 110–11, 142

reflective equilibrium 30-2, 48; see also forward argument and backward argument

reliable information 28, 43, 69–2, 74, 87, 91–2

rules: of accounting 3; of auditing 34; general 14–15, 33, 68–9, 73, 75; for the meaning of expressions 6; practice conception 65–6, 70, 142; for practitioners 14; of thumb 65–6, 70, 141; see also promulgating rules

scepticism: and connection with reasoning 109–10; definitions of 108–9; and presumptive doubt 109

scientific activity 17–20, 23–4, 34 self-interest 18–22, 146–7

sufficient appropriate audit evidence 48, 79, 81, 108, 110–11

theorising 13-22

Toba, Y. 58, 61, 96; and criterial evidence 85; and explanation of evidence 81, 83-4; fair presentation 82; influence of Mautz and Sharaf 87; and kinds of audits; and reasoning in evidence 82

true and fair: criteria of adequacy 58-9, 64-6, 68-71, 71-4; death of 74-6; descriptive conceptual enquiry into 'true and fair' 58-61; evaluative conceptual enquiry into 'true and fair' 61-3; meaning 58-61; prescriptive conceptual enquiry into 'true and fair' 71-3

Tweedie, D. 64-5, 68

universal: desires 22, 28–30, 32, 70, 75; generalisations 119, 121, 125, 126, 136, 144; prescriptions 23, 118; rules 75

Watts, R. and Zimmerman, J. 2, 10, 14, 18-24

Wittgenstein: on concepts 8–9; on definitions and meaning 6, 20–1, 62, 65, 73; on philosophy 12; on reasons 138; on symptoms and criteria 83–4, 125

do

Contents

	Acknowledgements	Х
1	The Nature of Auditing Theory and of Conceptual Frameworks in Auditing	
2	The Objectives of Auditing	38
3	The Audit Opinion	5
4	Audit Evidence	75
5	Materiality	116
6	Professional Judgement in Auditing	13
7	Conclusions	152
	Index	15.