



**BUSI 3007 A
Auditing I
Winter 2017**

Part 1: Administrative

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Office: Dunton 1010
Phone: (613) 520-2600 ext. 2774
Class: Wednesdays 8:35 a.m. to 11:35 a.m.
Tory 238
Office hours: Wednesdays 12:00 p.m. – 1:00 p.m.
Or by appointment (Please contact me via e-mail to set up an appointment)
Prerequisites: Third year standing and BUSI 2002. Note: BUSI 2002 may be taken concurrently. **The School of Business enforces all prerequisites.**

**Calendar Description: BUSI 3007 [0.5 credit]
Auditing I**

Auditing theory, methodology and application.
Precludes additional credit for BUSI 4007 (no longer offered).
Prerequisite(s): third-year standing and [BUSI 2002](#) (may be taken concurrently).
Lectures three hours a week.

Required Texts:

1. [Auditing: The Art and Science of Assurance Engagements](#), Canadian 13th edition, Pearson, 2016, by A.A. Arens, R.J. Elder, M.S. Beasley, and J.C. Jones
2. The CPA Canada Handbook – Assurance available from on-campus computers
<http://edu.knotia.ca.proxy.library.carleton.ca/>
3. The CPA Ontario Code of Professional Conduct
<http://www.cpaontario.ca/Resources/Membershandbook/1011page20931.pdf>
4. Additional articles that may be posted on CULearn.

Grading Scheme:

Quizzes (2 x 5%)	10%
Mid-term Examination 1	15%
Mid-term Examination 2	15%
Group Project (Parts 1 – 4)	30%
Group Project (Presentation)	10%
Final Examination	<u>20%</u>
	100%

FND:

To reduce instances of miscommunication Carleton introduced a grade FND (Failure with No Deferral) to be assigned to students who fail to meet the minimum in-term performance standards explicitly set out in the outline and applied consistently (i.e., there is no other hidden criteria).

Satisfactory In-term Performance

The requirement for Satisfactory In-term Performance is set at 50% of all, not each, term work (i.e. quizzes, midterm examinations, group work, etc.). Note, however, that Satisfactory In-term Performance of 50% may not be sufficient to permit registration in advanced courses in the accounting program and may not be sufficient to be recognized by professional accrediting bodies.

Part II: Academic**Course Description**

The course begins with an examination of the principles and theory which underlie the practice of auditing financial statements. In particular, concepts of management assertions, audit objectives, evidence, materiality and risk, internal control, audit planning, and reporting are examined and discussed. The course also examines auditing as a professional activity, including topics such as professional judgement, ethics, legal liability, and the responsibilities of auditors to society. Other assurance engagements are also addressed.

Course Learning Outcomes:

By the end of this course students will be able to:

1. Explain the audit process.
2. Assess risk and materiality.
3. Demonstrate audit procedures appropriate to a set of circumstances.
4. Evaluate the audit report.
5. Apply professional standards, including to ethical issues and legal situations.
6. Compare financial statement audits and other assurance engagements.

CULearn:

CULearn will be used in this course. It is critical to use this learning tool on a regular basis. We will be using CULearn as follows:

- to communicate with students on regular basis (e-mail, announcements, etc.)
- to post Powerpoint slides to support classroom activities
- to post problems or readings
- to post notes of an administrative nature or updates to the course outline, if required
- to administer online quizzes
- to take the place of in class sessions when necessary (in limited circumstances only).

To access CULearn, type in the following URL: <https://www.carleton.ca/culearn/>

Quizzes (2 x 5 percent)

Given the significant volume of material and number of new concepts that are introduced in this course, there are two brief quizzes scheduled. This should assist students in keeping up with the material and getting timely feedback on their progress and mastery of the material. Each quiz will be 20 minutes in length and consist of multiple choice and/or short answer questions. Students who miss a quiz and provide appropriate documentation will have the 5% from the quiz reallocated to the closest upcoming midterm exam. Requests for reconsideration of a quiz grade must be submitted in writing within 7 days of the quiz being returned to the class. Quizzes may be administered in class or online, at the professor's discretion. Instructions will be provided to the class in advance.

Group Project (Report 30 percent and Video Presentation 10%)

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. You have been assigned one group project in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Group Project (Report 30 % and Video Presentation 10%)

Groups of five students will be formed during the first week. Each group will prepare an analysis and "audit plan" for a public company in a distinct industry. Details of this project (Due dates for various components of the project are indicated in the Detailed Course Schedule) are in the attached Appendix 1. Written reports for each component of the project are required. These are to be submitted in hard copy on the date indicated in the detailed course schedule. Students are reminded to always retain a hard copy of all the work they submit. Videotaped group presentations of highlights from the project will be presented in the last class. Video presentations will be maximum of 10 minutes in length. All members of each group must be involved in the video presentation.

Midterm Examinations (Midterm 1 - 15 percent and Midterm 2 - 15 percent):

Two midterm examinations are scheduled (see the detailed schedule for midterm dates). The midterms will be written during regular class time. They may address any material covered to that point in the course. Requests for reconsideration of a midterm grade must be submitted in writing within 7 days of the midterm being returned to the class.

Students who miss a midterm examination and provide appropriate documentation will have the weighting of the midterm allocated to the final exam.

Final Examination (20 percent)

A final examination will take place during the university scheduled final exam period. The final exam is cumulative.

Deferred Final Examinations:

Deferred examinations will be granted by the University on a case by case basis based upon the written request of the student, and sufficient supporting documentation to support the student's claim, such as death in the family or medical emergency. This request must be made to the Registrar's Office within five (5) days of the exam.

ADDITIONAL INFORMATION

Course Sharing Websites

Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

Required calculator in BUSI course examinations

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group work

The Spratt School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks/assignments/projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59
A = 85-89	B = 73-76	C = 63-66	D = 53-56
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52
F = Below 50			

WDN = Withdrawn from the course

ABS = Student absent from final exam

DEF = Deferred (See above)

FND = (Failed, no Deferred) = Student could not pass the course even with 100% on final exam

Academic Regulations, Accommodations, Etc.

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

Requests for Academic Accommodations

For Students with Disabilities:

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your **Letter of Accommodation** at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (*if applicable*). **Requests made within two weeks**

will be reviewed on a case-by-case basis. After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website (www.carleton.ca/pmc) for the deadline to request accommodations for the formally-scheduled exam (if applicable).

For Religious Obligations:

Students requesting academic accommodation on the basis of religious obligation should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory event.

Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students and instructors can confirm accommodation eligibility of a religious event or practice by referring to the Equity Services website (<http://carleton.ca/equity/accommodation/religious-observances/>) for a list of holy days and Carleton's Academic Accommodation policies. If there are any questions on the part of the student or instructor, they can be directed to an Equity Services Advisor in the Equity Services Department for assistance.

For Pregnancy:

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include; a grade of Failure in the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at: <http://carleton.ca/studentaffairs/academic-integrity>.

Sprott Student Services

The Sprott student services office, located in 710 Dunton Tower, offers academic advising, study skills advising, and overall academic success support. If you're having a difficult time with this course or others, or just need some guidance on how to successfully complete your Sprott degree, please drop in any weekday between 8:30am and 4:30pm. Our advisors are happy to discuss grades, course selection, tutoring, concentrations, and will ensure that you get connected with the resources you need to succeed! <http://sprott.carleton.ca/students/undergraduate/support-services/>

Be in the know with what's happening at Sprott: Follow @SprottStudents and find us on Facebook SprottStudents Sprott.

Important Information:

- Students must always retain a hard copy of all work that is submitted.
 - All final grades are subject to the Dean's approval.
 - For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, it would be easier to respond to your inquiries if you would send all email from your Carleton account. If you do not have or have yet to activate this account, you may wish to do so by visiting <http://carleton.ca/ccs/students/>
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No Scents

This classroom and my office are scent-free zones. Some people may have adverse reactions to the chemicals used in scented products. In consideration for students, faculty and staff who have environmental and chemical sensitivities, students are asked to refrain from wearing perfumes, colognes, aftershave and other scented products.

PROFESSIONAL DEPARTMENT

This course forms an important part of an accounting student's professional education. As such, it is expected that student's behavior will meet professional standards for attendance, attentiveness, courtesy and respect for others.

Further, as aspiring professionals, accounting students are called to maintain a high standard of ethical behavior. This requires students to avoid all types of academic dishonesty, including plagiarism, cheating, and submitting someone else's work as your own. This also requires students to advise the professor of any instances of academic dishonesty of which they become aware.

To assist you in fulfilling your ethical responsibilities as a student, the ethical standards for this course require: group work to be performed exclusively by members of the group and all group members must contribute their fair share to each assignment; all exams must be the exclusive work of the individual student. If outside research is performed, sources are to be cited and information discovered via outside research is to be clearly labeled as such. Cheating or plagiarism will not be tolerated. All infractions will be dealt with according to University regulations. These regulations are found in the university calendar.

BUSI3007
DETAILED COURSE SCHEDULE

Date	Topic	Readings	Other	Deliverables
January 11, 2017	The Demand for Audit and Other Assurance Services	Required: Chapter 1	Auditing Exercise	
January 11, 2017	Audit Report on Financial Statements	Required: Chapter 19 <i>Reference:</i> CAS 700, 705, 706, 710 Bring in a recent audit report	Loblaw Companies Limited	
January 18, 2017	The Public Accounting Profession and Audit Quality	Required: Chapter 2 <i>Reference:</i> CAS 200, 220, CSQC-1, 5021		
January 18, 2017	Audit Responsibilities and Objectives	Required: Chapter 5 <i>Reference:</i> CAS 200, 210, 250, 315, 520	Canadian National Institute for the Blind	
January 25, 2017 Online	Legal Liability	Required: Chapter 3; <i>Reference:</i> Handbook 5020, 9200		Group Project Component: The Company
January 25, 2017 Online	Professional Judgment and Ethics	Required: Chapter 4; <i>Reference:</i> CPA Ontario Code of Professional Conduct		
February 1, 2017	Client Acceptance and Planning the Audit	Required: Chapter 6; <i>Reference:</i> CAS 210, 240, 300, 315, 550, 610, 620		Quiz 1
February 1, 2017	Materiality and Risk	Required: Chapter 7; <i>Reference:</i> CAS 315, 320, 450, 500	Government of Canada	
February 8, 2017	Internal Controls and Control Risk	Required: Chapter 8 <i>Reference:</i> CAS 265, 315, 330, 402, 610, CSAE3416, 5925		
February 8, 2017	Audit Evidence	Required: Chapter 9 <i>Reference:</i> CAS 230, 500, 501, 520, 505, 610, 620		Group Project Component: The Industry
February 15, 2017	Midterm 1	Chapters 1 – 9 and 19		Mid-term Exam 1
February 15, 2017	Audit Strategy and Audit Program	Required: Chapter 10 <i>Reference:</i> CAS 300, 315, 330, 520		
February 22, 2017	Break Week No classes			

Date	Topic	Readings	Other	Deliverables
March 1, 2017	Audit Sampling Concepts	Required: Chapter 11 <i>Reference:</i> CAS 265, 330, 500, 530		
March 1, 2017	Audit of the Revenue Cycle	Required: Chapter 12 <i>Reference:</i> CAS 240, 505, 540		Group Project Component: Financial Health
March 8, 2017	Audit of the Acquisition and Payment Cycle	Required: Chapter 13		Quiz 2
March 8, 2017	Audit of the Inventory and Distribution Cycle	Required: Chapter 14 <i>Reference:</i> CAS 240, 501		
March 15, 2017 Online	Audit of the Human Resources and Payroll Cycle	Required: Chapter 15 <i>Reference:</i> CAS 402; CSAE 3416		
March 15, 2017 Online	Audit of Cash Balances	Required: Chapter 17		
March 22, 2017	Midterm 2	Chapter 1 – 15, 17 and 19		Mid-term Exam 2
March 22, 2017	Audit of Capital Acquisition and Repayment Cycle	Required: Chapter 16		
March 29, 2017	Completing the Audit	Required: Chapter 18 <i>Reference:</i> CAS 260, 450, 560, 570, 580, 600, 720		
March 29, 2017	Other Assurance and Nonassurance Engagements	Required: Chapter 20 <i>Reference:</i> CAS 805, 810, 3416, 5025, 5800, 5815, 5925, 7060, 8100, 8200, 8500, 8600, 9100, 9110, 9200, CSAE3000, 3001		Group Project Component: Audit Plan
April 5, 2017	Group Video Presentations		Groups present videos covering key components of audit plans	Group Project Component: Video Presentation
April 5, 2017	Group Video Presentations		Groups present videos covering key components of audit plans	Group Project Component: Video Presentation
April 10-25, 2017	Final Exam Date TBD	In regularly scheduled exam period Ch. 1 - 20		

Appendix 1
Group Project
Corporate Analysis and Audit Plan

In your groups, select a **Canadian publicly traded corporation** for study and have your selection approved by the professor. Each group must select a corporation from a **different industry**.

Obtain copies of the most recent annual report of the company you selected. These should be available at www.sedar.com. The project requires the group to consider a corporation's business environment, industry, financial health, and the audit implications of these factors. The questions presented here should guide, but not constrain, your analysis. Prepare a detailed report based on your analysis. The full report should be **no more than 20 typed, double-spaced pages in length** (see recommended lengths for each section below). A few additional pages of appropriate appendices may be included.

The Company (3-4 pages) (5%)

1. What are its primary products? What raw materials does the company use?
2. How large is the company? For example, in terms of sales, assets, employees?
3. Where is the company located?
4. Where is the company in its life cycle?
5. What other persons/companies are closely associated with the company?
6. Look at the annual report, particularly the photographs. What image does the report intend to convey?

The Industry (3-4 pages) (5%)

Obtain outside information about the company's industry. Address the following:

1. What are the key economic factors about the industry?
2. What are the key success factors, trends, and challenges for this industry?
3. How does your company compare with respect to these factors?
4. What notable accounting considerations are there for companies in this industry?
5. What particular legal or regulatory matters are of concern?
6. What social or environmental matters are of concern?

Financial Health (2-3 pages + exhibits) (5%)

Analyze the company's financial health over the last three to four years. Common size and trend analyses, as well as financial statement ratios should be included here.

Consider:

1. Is this a healthy company? Is it growing?
2. What financial challenges is it facing?
3. How does it compare with the rest of its industry? (see the Industry Reports available on the FP Advisor database available through the library).

Audit Plan (8-12 pages + appendices) (15%)

Based on a detailed examination of the financial statements (including key notes) and your knowledge of the company's business and its industry, and financial health prepare a preliminary audit plan. At a minimum, you should consider:

1. What inherent risk factors are there for this industry? This company?
2. What are the high-risk areas from an audit perspective? Why?
3. What are the low-risk areas from an audit perspective? Why?
4. What would you base your initial assessment of materiality on? What would your assessment be?
5. What material types of transactions and transaction cycles are involved?
6. What specific audit procedures would you consider? What would their timing be?
7. How will your audit effort be allocated among geographical areas? Among lines of business?
8. Will your audit require reliance on any experts? Which ones? What level of audit staff will be required for the audit?
9. What type of audit report was issued? Which basis of accounting and what auditing standards were used?

Video Presentation (maximum 10 minutes) (10%)

Each group will prepare a pre-recorded video addressing key aspects of their group audit planning project. All members of the group must be actively involved in the video presentation.

Grading

The various components of the group project report will be graded based on evaluation matrices to be provided on CULearn.

Important Dates and Deadlines – Winter 2017 Graduate, Undergraduate and Special Students

January 2 University reopens

January 5 Winter term classes begin.

January 18 Last day for registration for winter term courses.

Last day to change courses or sections (including auditing) for winter term courses.

Graduate students who have not electronically submitted their final thesis copy to the Faculty of Graduate and Postdoctoral Affairs will not be eligible to graduate in Winter 2017 and must register for the Winter 2017 term.

January 20-22, 27-29 Fall-term deferred examinations will be held.

January 31 Last day for a **fee adjustment** when withdrawing from Winter term courses or the Winter portion of two-term courses (financial withdrawal). Withdrawals after this date will create no financial change to Winter term fees.

February 17 April examination schedule available online.

February 20 Statutory holiday, University closed.

February 20-24 Winter Break. Classes are suspended.

March 1 Last day for UHIP refund applications for International Students who will be graduating this academic year.

Last day for receipt of applications from potential spring (June) graduates.

Last day for receipt of applications for admission to an undergraduate program for the summer term.

March 10 Last day to request formal exam accommodations for December examinations to the Paul Menton Centre for Students with Disabilities. Late requests will be considered on case-by-case basis.

TBA Last day to pay any remaining balance on your Student Account to avoid a hold on access to marks through Carleton Central and the release of transcripts and other official documents. An account balance may delay Summer 2017 course selection.

March 24 Last day for tests or examinations in courses below the 4000-level before the final examination period (see Examination Regulations in the Academic Regulations of the University section of this Calendar).

April 7 Winter term ends.

Last day of fall/winter and winter-term classes.

Last day for academic withdrawal from fall/winter and winter term courses.

Last day for handing in term work and the last day that can be specified by a course instructor as a due date for term work for fall/winter and winter-term courses.

April 10-25 Final examinations in winter term and fall/winter courses may be held. Examinations are normally held all 7 days of the week.

April 14 Statutory holiday, University closed.

April 25 All take home examinations are due on this day.