BUSI 3007 A
Auditing I
Fall 2013

Part 1: Administrative

Professor: Merridee Bujaki, MBA, CPA, CA, PhD
E-Mail: merridee.bujaki@carleton.ca
Office: Dunton 1010
Phone: (613) 520-2600 ext. 2774
Class: Mondays and Wednesdays 10:05 a.m. to 11:25 a.m. (Southam Hall 518)
Office hours: Wednesdays 2:00 p.m. – 4:00 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.

Required Texts:
3. The CICA Handbook – Assurance available at http://edu.knotia.ca.proxy.library.carleton.ca/from on-campus computers
4. The ICAO’s Member’s Handbook
   http://www.icao.on.ca/Resources/Membershandbook/1011page2629.pdf
5. Articles posted on CULearn.

Grading Scheme:
Contribution to the Classroom Environment 20%
Mid-term Examination 1 25%
Mid-term Examination 2 25%
Group Project & Video Presentation 30%
100%

Satisfactory In-term Performance
The requirement for Satisfactory In-term Performance is set at 50% of all, not each, term work (i.e. contribution to the classroom environment, 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. 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.

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. Critique developments in the profession.

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

Contribution to the Classroom Environment (20 percent)
The success of the course for both students and professor depends on active thoughtful participation by the members of the class during lectures, problem take-up and case discussions. Attendance is, of course, an integral part of contributing to the classroom environment. The mark each student receives will reflect the quantity and quality of that student’s contribution to the class. Contributions can be through participation in class discussions, or by contributing relevant articles taken from recent media publications. In addition to assessing attendance, and the professor’s evaluation of contribution to the classroom environment, students will also be asked to submit self-assessments of their contributions at several points during the term. The grade earned for contribution to the classroom environment will be a composite of these factors. A self-assessment form will be posted to CULearn early in the term to facilitate documenting and reflecting on your class contributions in a consistent format.

Group Project and Presentation (Report 15 percent; Presentation 15 percent)
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 20 %; 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 are in the attached Appendix 1. A written report and video presentation (10 minutes) are required. In addition, two brief status updates are required to be submitted during the course of the term for feedback. A format for the status updates will be provided on CULearn early in the term. The formal written report is to be submitted on Wednesday December 4, 2013 and the video presented in class December 4 or 9, 2013.

**Midterm Examinations** (Midterm 1 - 25 percent and Midterm 2 - 25 percent):

A midterm examination is scheduled for Wednesday October 23 2013. The midterm will be written during regular class time. It may address any material covered to that point in the course.
A second midterm is scheduled for Monday November 25 2013 during class time. The midterm will cover all course material addressed to that point.
No final examination is scheduled.

**Deferred 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.

**Medical certificate**
Please note that in all occasions that call for a medical certificate you must use or furnish the information demanded in the standard university form.
http://www1.carleton.ca/registrar/forms/

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, Plagiarism, 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

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). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam (if applicable).

- The deadlines for contacting the Paul Menton Centre regarding accommodation for final exams for the December 2013 exam period is November 8, 2013 and for the April 2014 exam period is March 7, 2014.

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 or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton’s Academic Accommodation policies, or may contact 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 expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, 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://www2.carleton.ca/sasc/advisingcentre/academic-integrity/.

Assistance for Students:
Student Academic Success Centre (SASC): www.carleton.ca/sasc
Writing Tutorial Services: http://www1.carleton.ca/sasc/writing-tutorial-service/
Peer Assisted Study Sessions (PASS): www.carleton.ca/sasc/peer-assisted-study-sessions

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.
- Please note that you will be able to link your CONNECT (MyCarleton) account to other non-
  CONNECT accounts and receive emails from us. However, 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 CONNECT
  address. Therefore, it would be easier to respond to your inquiries if you would send all email from
  your connect account. If you do not have or have yet to activate this account, you may wish to do so
  by visiting https://portal.carleton.ca/

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 DEPORTMENT
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. Unprofessional behaviour during class, such as talking during a lecture
or presentation, will be reflected in the student’s contribution to the classroom environment mark.

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.

Important Dates & Deadlines – Fall Term 2013

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1</td>
<td>Last day for receipt of applications from potential fall (November) graduates.</td>
</tr>
<tr>
<td>Date</td>
<td>Activity</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>September 2, 2013</td>
<td>Statutory holiday, University closed.</td>
</tr>
<tr>
<td>September 3, 2013</td>
<td>Fall term begins. Orientation for teaching assistants.</td>
</tr>
<tr>
<td>September 3-4, 2013</td>
<td>Academic Orientation. All students are expected to be on campus. Class and laboratory preparations departmental introductions for students and other academic preparation activities will be held.</td>
</tr>
<tr>
<td>September 5, 2013</td>
<td>Fall and fall/winter courses begin.</td>
</tr>
<tr>
<td>September 18, 2013</td>
<td>Last day of registration for fall term and fall/winter courses. Last day to change courses or sections (including auditing) for fall/winter and fall term courses. Last day of registration for fall term and fall/winter courses. Last day to change courses or sections (including auditing) for fall/winter and fall term courses.</td>
</tr>
<tr>
<td>September 27-28, 2013</td>
<td>Summer deferred final examinations to be written. Summer deferred final examinations to be written.</td>
</tr>
<tr>
<td>September 30, 2013</td>
<td>Last day to withdraw from fall term and fall/winter courses with a full fee adjustment.</td>
</tr>
<tr>
<td>October 11, 2013</td>
<td>December examination schedule (fall term final and fall/winter mid-terms) available online.</td>
</tr>
<tr>
<td>October 14, 2013</td>
<td>Statutory holiday, University closed.</td>
</tr>
<tr>
<td>October 15, 2013</td>
<td>Last day for receipt of applications for admission to a degree program for the winter term from applicants whose documents originate from outside Canada or the United States.</td>
</tr>
<tr>
<td>October 28-November 1</td>
<td>Fall break, no classes.</td>
</tr>
<tr>
<td>November 8, 2013</td>
<td>Last day to submit, to the Paul Menton Centre for Students with Disabilities, Formal Examination Accommodation Forms for December examinations.</td>
</tr>
<tr>
<td>November 15, 2013</td>
<td>Last day for receipt of applications for admission to a degree program for the winter term.</td>
</tr>
<tr>
<td>November 25, 2013</td>
<td>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).</td>
</tr>
<tr>
<td>December 1, 2013</td>
<td>Last day for receipt of applications from potential winter (February) graduates.</td>
</tr>
<tr>
<td>December 9, 2013</td>
<td>Fall term ends. Last day of fall-term classes. Last day for academic withdrawal from fall 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 term courses. Last day for receipt of applications for degree program transfers for winter term.</td>
</tr>
<tr>
<td>December 10, 2013</td>
<td>No classes or examinations take place.</td>
</tr>
<tr>
<td>December 11-22, 2013</td>
<td>Final examinations in fall term courses and mid-term examinations in fall/winter courses may be held. Examinations are normally held all seven days of the week.</td>
</tr>
<tr>
<td>December 16, 2013</td>
<td>Fall Co-op Work Term Reports due. Fall Co-op Work Term Reports due.</td>
</tr>
<tr>
<td>December 22,</td>
<td>All take home examinations are due. All take home examinations are due.</td>
</tr>
<tr>
<td>Date</td>
<td>Activity</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>2013 December 25, 2013 to January 1, 2014</td>
<td>University closed.</td>
</tr>
<tr>
<td>Date</td>
<td>Topic</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>September 9, 2013</td>
<td>An Overview of Auditing and Assurance Services</td>
</tr>
<tr>
<td>September 11, 2013</td>
<td>The Auditor’s Report</td>
</tr>
<tr>
<td>September 16, 2013</td>
<td>Professional Ethics and Independence</td>
</tr>
<tr>
<td>September 18, 2013</td>
<td>No class scheduled</td>
</tr>
<tr>
<td>September 23, 2013</td>
<td>Legal Liability</td>
</tr>
<tr>
<td>September 25, 2013</td>
<td>Audit Responsibilities and Objectives</td>
</tr>
<tr>
<td>September 30, 2013</td>
<td>Client Risk Profile and Documentation</td>
</tr>
<tr>
<td>October 2, 2013</td>
<td>Materiality and Risk</td>
</tr>
<tr>
<td>October 7, 2013</td>
<td>Audit Evidence</td>
</tr>
<tr>
<td>October 9, 2013</td>
<td>Internal Controls and Control Risk</td>
</tr>
<tr>
<td>October 14, 2013</td>
<td>Thanksgiving Monday – No class scheduled</td>
</tr>
<tr>
<td>October 16, 2013</td>
<td>Audit Strategy and Audit Program</td>
</tr>
<tr>
<td>Date</td>
<td>Topic</td>
</tr>
<tr>
<td>--------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td>October 21, 2013</td>
<td>Audit Sampling Concepts</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>October 23, 2013</td>
<td>Midterm 1</td>
</tr>
<tr>
<td>October 28 &amp; 30, 2013</td>
<td>Fall Break Week</td>
</tr>
<tr>
<td>November 4, 2013</td>
<td>Audit of the Sales and Collection Cycle: Tests of Controls</td>
</tr>
<tr>
<td>November 6, 2013</td>
<td>Completing the Tests in the Sales and Collection Cycle: Accounts Receivable</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>November 11, 2013</td>
<td>Audit of Cash Balances</td>
</tr>
<tr>
<td>November 13, 2013</td>
<td>Audit of the Human Resources and Payroll Cycle</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>November 18, 2013</td>
<td>Audit of the Acquisition and Payment Cycle</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>November 20, 2013</td>
<td>Audit of the Inventory and Distribution Cycle</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>November 25, 2013</td>
<td>Midterm 2</td>
</tr>
<tr>
<td>November 27, 2013</td>
<td>Audit of Capital Acquisition and Repayment Cycle</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>December 2, 2013</td>
<td>Completing the Audit</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>December 4, 2013</td>
<td>Corporate Analyses &amp; Audit Plans</td>
</tr>
<tr>
<td>December 9, 2013</td>
<td>Corporate Analyses &amp; Audit Plans</td>
</tr>
</tbody>
</table>
Appendix 1
Group Project & Video Presentation
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.

The Company

1. What are its primary products? What raw materials does the company use?
2. How large is the company? 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. What image does it intend to convey?

The Industry

Obtain outside information about the company and its industry. Address the following:
1. What are the key economic factors about the industry?
2. Where is the company in its life cycle?
3. What are the key success factors, trends, and challenges for this industry?
4. How does your company compare with respect to these factors?
5. What notable accounting considerations are there for companies in this industry?
6. What particular legal or regulatory matters are of concern?
7. What social or environmental matters are of concern?

Financial Health

Analyze the company’s financial health. Financial statement ratios may be helpful here. Consider:
1. Is this a healthy company? Is it growing?
2. What are its sources of capital?
3. How has the capital marketplace responded to the company?
4. What is the quality of earnings?
5. How does it compare with the rest of its industry?

Audit Plan

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

1. What material types of transactions and transaction cycles are involved?
2. What inherent risk factors are there for this industry? This company?
3. What are the high-risk areas from an audit perspective? Why?
4. What are the low-risk areas from an audit perspective? Why?
5. What specific audit procedures would you consider? What would their timing be?
6. What would you base your initial assessment of materiality on? What would your assessment 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 GAAP and GAAS were used? Why?

**Grading**
The written project report will be graded based on a detailed evaluation matrix to be provided on CULearn.

**Presentation**
Each group will present their corporate analysis and audit plan to the class in the form of a ten minute video. Videos should address each aspect of the project briefly, but greater emphasis should be given to audit issues relevant to your particular industry. Feel free to be creative in your video presentation, provided you address the key components of the project.

If there is sufficient interest, an optional workshop on creating video presentations can be arranged.

A detailed evaluation matrix for the video presentation will be provided on CULearn.