



**CARLETON UNIVERSITY  
SPROTT SCHOOL OF BUSINESS  
BUSI 3007 A  
FALL 2019  
AUDITING I**

**Professor:** Natalia Rydel, CPA, CA  
**E-Mail:** [natalia.rydel@carleton.ca](mailto:natalia.rydel@carleton.ca)  
**Office:** TBD  
**Phone:** TBD  
**Class:** Thursdays 18:05-20:55  
TBD  
**Office hours:** Thursdays 21:00-22:00, by appointment (please contact me by e-mail to set up an appointment)  
**Prerequisites:** Third year standing and BUSI 2002  
**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): BUSI 2001

Lectures three hours a week.

**Required Texts:**

1. Auditing: The Art and Science of Assurance Engagements, Canadian 14<sup>th</sup> edition, Pearson, Arens, Elder, Beasley, Jones
2. The CPA Canada Handbook – Assurance available at <http://edu.knotia.ca.proxy.library.carleton.ca/> from on-campus computers
3. The CPA Ontario Member’s Handbook  
<http://www.cpaontario.ca/Resources/Membershandbook/1011page5011.aspx>
4. Articles posted on CULearn.

**Grading Scheme:**

Quizzes (2 x 5%)	10%
Mid-term Examination	25%
Group Project	30%
Final Examination	<u>35%</u>
	100%

### **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.

### **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. Critique developments in the profession.
7. 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 access CULearn, type in the following URL: <https://www.carleton.ca/culearn/>

### **Evaluation**

#### **Quizzes (2 quizzes 5 percent each)**

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 done in class or online, at the professor's discretion. Instructions will be provided in class.

**Midterm Examination (25 percent)**

Two midterm examination is scheduled (see the detailed schedule for midterm date). The midterm will be written outside of regular class time. It 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 may have the weighting of the midterm allocated to the final exam or a make up exam may be arranged.

**Group Project (Reports 25 percent and presentation 5 percent)**

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. 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.

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.

**Final Examination (35 percent)**

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

## 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

DEF = Deferred (See above)

### Requests for Academic Accommodation

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

#### Pregnancy obligation

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: [carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](http://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

#### Religious obligation

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: [carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](http://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

### **Academic Accommodations for Students with Disabilities**

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or [pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC 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 your instructor as soon as possible to ensure accommodation arrangements are made.

[carleton.ca/pmc](http://carleton.ca/pmc)

### **Survivors of Sexual Violence**

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and its survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: [carleton.ca/sexual-violence-support](http://carleton.ca/sexual-violence-support)

### **Accommodation for Student Activities**

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist.

<https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

For more information on academic accommodation, please contact the departmental administrator or visit: [students.carleton.ca/course-outline](http://students.carleton.ca/course-outline)

### **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: <https://carleton.ca/registrar/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/learning-support/>

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

### **Centre for Student Academic Support**

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: [carleton.ca/csas](http://carleton.ca/csas).

### **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/>

### **Professional Development**

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.

**BUSI 3007  
DETAILED COURSE SCHEDULE**

<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Group Project</b>
<b>September 5, 2019</b>	Demand for Auditing and Other Assurance Services	<b>Required:</b> Chapter 1	
	Audit Report on Financial Statements	<b>Required:</b> Chapter 19	
<b>September 12, 2019</b>	The Public Accounting Profession and Audit Quality	<b>Required:</b> Chapter 2	
	Professional Ethics and Legal Liability	<b>Required:</b> Chapter 3	
<b>September 19, 2019</b>	Audit Responsibilities and Objectives	<b>Required:</b> Chapter 4	<b>Group Project Component: The Company</b>
	Audit Evidence	<b>Required:</b> Chapter 5	
<b>September 26, 2019</b>	<b>Quiz 1</b>	<b>Chapters 1-5 and 19</b>	
	Client Acceptance, Planning, and Materiality	<b>Required:</b> Chapter 6	
	Assessing the Risk of Material Misstatement	<b>Required:</b> Chapter 7	
<b>October 3, 2019</b>	Internal Control and COSO Framework	<b>Required:</b> Chapter 8	<b>Group Project Component: The Industry</b>
	Assessing Control Risks and Designing Tests of Controls	<b>Required:</b> Chapter 9	
<b>October 10, 2019</b>	Develop Risk Response: Audit Strategy and Audit Program	<b>Required:</b> Chapter 10	
	Audit Sampling Concepts	<b>Required:</b> Chapter 11	
<b>October 17, 2019</b>	Audit of the Revenue Cycle	<b>Required:</b> Chapter 12	
	Midterm review		

<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Group Project</b>
<b>FRIDAY October 18, 2019</b>	<b>Midterm 7:00pm Location TBD</b>	Chapters 1-11 and 19	
<b>October 24, 2019</b>	Reading week, no class		
<b>October 31, 2019</b>	Audit of the Acquisition and Payment Cycle	<b>Required:</b> Chapter 13	<b>Group Project Component: Financial Health</b>
	Audit of the Inventory and Distribution Cycle	<b>Required:</b> Chapter 14	
<b>November 7, 2019</b>	Audit of the Human Resources and Payroll Cycle	<b>Required:</b> Chapter 15	
	Audit of the Acquisition and Repayment Cycle	<b>Required:</b> Chapter 16	
<b>November 14, 2019</b>	<b>Quiz 2</b>	<b>Chapters 10-16</b>	
	Audit of Cash Balances	<b>Required:</b> Chapter 17	
	Completing the Audit	<b>Required:</b> Chapter 18	
<b>November 21, 2019</b>	Other Assurance and Nonassurance Services	<b>Required:</b> Chapter 20	<b>Group Project Component: Audit Plan</b>
	<b>Groups Presentations</b>		
<b>November 28, 2019</b>	<b>Groups Presentations</b>		
<b>December 5, 2019</b>	TBD		

Additional readings may be required, in which case information pertaining to the readings will be posted on CuLearn.



**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](http://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 may be helpful 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) (10%)

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?

#### Group Presentation (5%)

Groups will present their findings to the class.

#### 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 – Fall 2019 Graduate, Undergraduate and Special Students**

### **September 1, 2019**

Last day for receipt of applications from potential fall (November) graduates.

### **September 2, 2019**

Statutory holiday. University closed.

### **September 3, 2019**

Academic orientation (undergraduate and graduate).

Orientation for Teaching Assistants.

All students are expected to be on campus. Class and laboratory preparations, departmental introductions for students and other academic preparation activities will be held.

### **September 4, 2019**

Fall term begins.

Fall and fall/winter classes begin.

### **September 12, 2019**

OSAP deferral deadline. [Late payment charges and late registration charges](#) applied to the student account on or after this date for eligible OSAP students.

### **September 13-15, 2019**

Full and late summer deferred final examinations held.

### **September 17, 2019**

Last day of registration for fall term and fall/winter courses.

Last day to change courses or sections (including auditing) for fall term and fall/winter 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 fall 2019 and must register for the fall 2019 term.

### **September 30, 2019**

Last day to withdraw from fall term and fall/winter courses with a full [fee adjustment](#) (financial withdrawal).

Withdrawals after this date will create no financial change to fall term fees and will result in a permanent notation of WDN appearing on your official transcript.

### **October 11, 2019**

December examination schedule (fall term final and fall/winter mid-terms) available online.

### **October 14, 2019**

Statutory holiday. University closed.

### **October 15, 2019**

Last day for receipt of applications for admission to an undergraduate degree program for the winter term from applicants whose documents originate from outside Canada or the United States.

### **October 21-25, 2019**

Fall break. Classes are suspended.

**November 1, 2019**

Application deadline to study at another institution on a [letter of permission](#) for the winter term.

**November 8, 2019**

Last day to request formal exam accommodations for December examinations to the [Paul Menton Centre for Students with Disabilities](#). Note that it may not be possible to fulfil accommodation requests received after the specified deadlines.

**November 15, 2019**

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

**November 23, 2019**

Last day for summative tests or examinations or formative tests or examinations totaling more than 15% of the final grade before the official examination period (see [examinations regulations](#) in the Academic Regulations of the University section of the Undergraduate Calendar/General Regulations of the Graduate Calendar).

**November 25, 2019**

Winter Payment Deadline. Click [here](#) for important payment information. [Late charges](#) may be applied to the student account any time after this date.

**December 1, 2019**

Last day for receipt of [applications](#) from potential winter (February) graduates.

Last day for graduate students to submit their supervisor-approved thesis in examinable form to the department.

**December 6, 2019**

Fall term ends.

Last day of fall term classes.

Classes follow a Monday schedule.

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 undergraduate degree program transfers for winter term.

Last day for take home examinations to be assigned, with the exception of those conforming to the examinations regulations in the Academic Regulations of the University section of the Undergraduate Calendar/General Regulations of the Graduate Calendar.

Last day to pay any remaining [fall tuition fees](#) to avoid a hold on access to marks through Carleton Central and the release of transcripts and other official documents.

**December 7-8, 2019**

No classes or examinations take place.

**December 9 – 21, 2019**

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.

**December 17, 2019**

Winter term registration for University of Ottawa undergraduate exchange students begins. Registration opens at 8:30 a.m.

**December 21, 2019**

All take home examinations are due on this day, with the exception of those conforming to the [examinations regulations](#) in the Academic Regulations of the University section of the Undergraduate Calendar/General Regulations of the Graduate Calendar.

**December 24, 2019**

Deadline for course outlines to be made available to students registered in winter term courses.

**December 25, 2019-January 1, 2020**

University closed.