



**BUSI 3007 R  
Auditing I  
Winter 2018**

**Part 1: Administrative**

**Professor:** Natalia Rydel, CPA, CA  
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**Office hours:** Online or by appointment (Please contact me via 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 theory, methodology and application.  
Precludes additional credit for BUSI 4007 (no longer offered).  
Prerequisite(s): third-year standing and [BUSI 2002](#).

**Required Texts:**

1. [Auditing: The Art and Science of Assurance Engagements](#), Canadian 13<sup>th</sup> edition, Pearson, 2016, by A.A. Arens, R.J. Elder, M.S. Beasley, and J.C. Jones
2. The CPA Canada Handbook – Assurance online through Carleton Library  
<https://carletonu.summon.serialssolutions.com/?q=cpa%20canada%20handbook#!/search?ho=t&l=en&q=cpa%20canada%20handbook>
3. The CPA Ontario Code of Professional Conduct  
<https://media.cpaontario.ca/stewardship-of-the-profession/pdfs/CPA-Ontario-Code-of-professional-conduct.pdf>

If you are taking the course by distance and need to have the Carleton Bookstore send you a copy of the book, you can order the book online at <https://www.bkstr.com/carletonstore/home/en>

**Grading Scheme (see detailed schedule beginning on page 7 for due dates):**

<b>Online Quizzes (2 x 5%)</b>	<b>10%</b>
<b>Posts to Discussion Forum (5 x 2%)</b>	<b>10%</b>
<b>Mid-term Examination</b>	<b>15%</b>
<b>Group Project</b>	
<b>Part 1</b>	<b>5%</b>
<b>Part 2</b>	<b>5%</b>
<b>Part 3</b>	<b>5%</b>
<b>Part 4</b>	<b>15%</b>
<b>Total Group Project (Parts 1 – 4)</b>	<b>30%</b>
<b>Final Examination</b>	<b><u>35%</u></b>
	<b>100%</b>

## **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. It is suggested that you complete all of the tasks for each week on CULearn. We will be using CULearn as follows:

- to communicate with students on regular basis (e-mail, announcements, etc.)
- to post problems, readings or activities
- to post notes of an administrative nature or updates to the course, if required
- to complete online quizzes
- to participate in online discussion forum
- for online asynchronous communication with the course instructor
- to access the course outline
- to access learning materials such as video lectures, readings, and slides for each week

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

### **Online Quizzes (2 x 5%)**

Given the significant volume of material and number of new concepts introduced in this course, there are two brief online 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 approximately 20 minutes in length and consist of multiple choice and/or short answer questions.

### **Posts to Discussion Forum (5 x 2%)**

To encourage you to engage with the course material and with each other, discussion posts will be required in five weeks of the course. For each discussion post select one article from those sent to you by the Auditing Alert you set up in Week 1. Read the article and write a brief (maximum 500 word) reaction to the article. In your posting, indicate how the article you selected relates to the course material and how your understanding of auditing or the auditing profession is informed by the article. In addition, respond to at least one post made by a classmate.

### **Midterm Examination (15 percent):**

One midterm examination is scheduled (see the detailed schedule for midterm date). Scheduling of the midterm will be done by Carleton University OnLine (CUOL). The midterm 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 the midterm examination and provide appropriate documentation will have the weighting of the midterm allocated to the final exam.

Locations for the midterm will be announced in cuLearn about a week before the mid-term.

The mid-term will be marked by the teaching assistants together with the professor and follow a rigorous quality control process that (hopefully) ensures that the grade awarded on exams is fair. However, no system is 100% error-free, so it is possible that you may wish to call into question a grade that has been awarded on a test or assignment. In this circumstance, please write a brief note describing the difficulty with the awarded grade and provide this note, together with the graded test or assignment, to me no later than seven calendar days following the return of the graded work. Please be sure to include your name and student number on the note to enable me to properly identify it.

Graded midterms can be collected from the CUOL Student Centre, D299 Loeb. If you do not normally come to campus, the CUOL Student Centre staff will scan and email the graded midterm to you. Please send a request for a scanned copy from your Carleton email account to [cuol@carleton.ca](mailto:cuol@carleton.ca) and make sure to include your name, the course and your student number.

**If you are planning on writing the mid-term and final exam off campus, you must make these arrangements with the CUOL office (<http://carleton.ca/cuol/>) early in the term. If you miss the deadline to apply for on off campus exam, you will be required to write your exam on campus.**

### **Group Project (Part 1 – 5%; Part 2 – 5%; Part 3 – 5%; Part 4 – 15%)**

Groups of four - five students will be formed by the instructor during the first week. Each group will prepare an analysis and “audit plan” for a public company in a different 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 online by the date and time indicated in the detailed course schedule.

### **Final Examination (35%)**

A final examination will take place during the university scheduled final exam period. The duration of the exam will be 3 hours. The final exam is cumulative. All material covered in the course is examinable.

### **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.

### **Organization of Files in CULearn:**

The online material for each week follows a standard structure. Begin with the Required Readings folder. Here you will find an outline of the requirements for the week. Lecture slides are included in their own folder. Under the Lesson folder (the icon with the linked folders you will find learning objectives for each week, all the videos for the week, and practice questions for the week. Depending on the week, there may also be assignment submission buttons and/or additional resources.

To perform well in this course, you must spend time answering the practice questions and textbook problems and checking the answers to test your understanding. To maximize your learning, you should make an honest attempt at the question before consulting the solution. Simply reading a question and then turning to the solution right away is next to useless. You will find that there is likely to be a direct correlation between the number of problems you prepare, your diligence in working through the course materials and your course grade.

### **Videos:**

If you encounter technical issues watching the videos, usually the solution is to try to view them using a different browser. If this does not work, send an e-mail to [capture@carleton.ca](mailto:capture@carleton.ca). Make sure you specify which course you are registered and which specific video is giving you trouble.

## **ADDITIONAL INFORMATION**

### **Course Sharing Websites**

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 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. 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			

Grades entered by Registrar:

WDN = Withdrawn from the course

DEF = Deferred

### **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](mailto: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](http://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 on 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 are 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/>

**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, in order to respond to your inquiries, please send all email from your Carleton CMail 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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## **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, engagement, courtesy and respect for others.

Further, as aspiring professionals, accounting students are called upon 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**

<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Deliverables</b>
Week of January 8, 2018	The Demand for Audit and Other Assurance Services	<b>Required:</b> Chapter 1	Sign up for a Google alert for ‘Auditing’
Week of January 8, 2018	Audit Report on Financial Statements	<b>Required:</b> Chapter 19 <i>Reference:</i> CAS 700, 705, 706, 710 Loblaw Companies Limited audit report	Locate a recent audit report  Discussion post #1 (due January 12, 2018, 23:59 p.m.)
Week of January 15, 2018	Public Accounting Profession and Audit Quality	<b>Required:</b> Chapter 2 <i>Reference:</i> CAS 200, 220, CSQC-1, 5021	
Week of January 15, 2018	Legal Liability	<b>Required:</b> Chapter 3; <i>Reference:</i> Handbook 5020, 9200	
Week of January 22, 2018	Professional Judgment and Ethics	<b>Required:</b> Chapter 4; <i>Reference:</i> CPA Ontario Code of Professional Conduct	<b>Group Project Component: The Company</b> (due January 26, 2018, 23:59 p.m.)
Week of January 22, 2018	Audit Responsibilities and Objectives	<b>Required:</b> Chapter 5 <i>Reference:</i> CAS 200, 210, 250, 315, 520	
Week of January 29, 2018	Client Acceptance and Planning the Audit	<b>Required:</b> Chapter 6; <i>Reference:</i> CAS 210, 240, 300, 315, 550, 610, 620	<b>Quiz 1</b> Any 30 consecutive minutes between January 29, 2018, 0:00 to February 4, 2018, 23:59 p.m.
Week of January 29, 2018	Materiality and Risk	<b>Required:</b> Chapter 7; <i>Reference:</i> CAS 315, 320, 450, 500	Discussion post #2 (due February 2, 2018, 23:59 p.m.)
Week of February 5, 2018	Internal Controls and Control Risk	<b>Required:</b> Chapter 8 <i>Reference:</i> CAS 265, 315, 330, 402, 610, CSAE 3416, 5925	
Week of February 5, 2018	Audit Evidence	<b>Required:</b> Chapter 9 <i>Reference:</i> CAS 230, 500, 501, 520, 505, 610, 620	<b>Group Project Component: The Industry</b> (due February 9, 2018, 23:59 p.m.)
Week of February 12, 2018	<b>Midterm – February 16, 2018</b>	Chapters 1 – 9 and 19	



<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Deliverables</b>
Week of February 12, 2018	Audit Strategy and Audit Program	<b>Required:</b> Chapter 10 <i>Reference:</i> CAS 300, 315, 330, 520	

<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Deliverables</b>
Week of February 19, 2018	Break Week No classes		
Week of February 26, 2018	Audit Sampling Concepts	<b>Required:</b> Chapter 11 <i>Reference:</i> CAS 265, 330, 500, 530	Discussion post #3 (due March 2, 2018, 23:59 p.m.)
Week of February 26, 2018	Audit of the Revenue Cycle	<b>Required:</b> Chapter 12 <i>Reference:</i> CAS 240, 505, 540	<b>Group Project Component: Financial Health</b> (due March 2, 2018, 23:59 p.m.)
Week of March 5, 2018	Audit of the Acquisition and Payment Cycle	<b>Required:</b> Chapter 13	<b>Quiz 2</b> Any 30 consecutive minutes between March 5, 2018, 0:00 to March 11, 2018, 23:59 p.m.
Week of March 5, 2018	Audit of the Inventory and Distribution Cycle	<b>Required:</b> Chapter 14 <i>Reference:</i> CAS 240, 501	
Week of March 12, 2018	Audit of the Human Resources and Payroll Cycle	<b>Required:</b> Chapter 15 <i>Reference:</i> CAS 402; CSAE 3416	Discussion post #4 (due March 16, 2018, 23:59 p.m.)
Week of March 12, 2018	Audit of Capital Acquisition and Repayment Cycle	<b>Required:</b> Chapter 16	
Week of March 19, 2018	Audit of Cash Balances	<b>Required:</b> Chapter 17	Discussion post #5 (due March 23, 2018, 23:59 p.m.)
Week of March 19, 2018	Completing the Audit	<b>Required:</b> Chapter 18 <i>Reference:</i> CAS 260, 450, 560, 570, 580, 600, 720	
Week of March 26, 2018	Audit Report on Financial Statements (reprise)	<b>Required:</b> Chapter 19 <i>Reference:</i> CAS 700, 705, 706, 710	
Week of March 26, 2018	Other Assurance and Nonassurance Engagements	<b>Required:</b> Chapter 20 <i>Reference:</i> CSAE 3000, 3001	

Week of April 2, 2018	Other Assurance and Nonassurance Engagements (continued)	<b>Required:</b> Chapter 20 <i>Reference:</i> CAS 805, 810, OCS 3416, 5800, 5815, 5925, 7060, 8100, 8200, 8500, 8600, 9100, 9110, 9200	<b>Group Project Component: Audit Plan</b> (due April 6, 2018, 23:59 p.m.)
Week of April 9, 2018	Review Online office hours		
April 10- 25, 2017	Final Exam	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](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 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?

### 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 2018 Graduate, Undergraduate and Special Students**

**January 2** University reopens

**January 8** Winter term classes begin.

**January 19** 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 2018 and must register for the Winter 2018 term.

**January 19-21, 26-28** Fall-term deferred examinations will be held.

**January 31** Last day withdrawal from winter term and winter portion of fall/winter courses with full fee adjustment. Withdrawals after this date will result in a permanent notation of WDN on the official transcript.

**February 16** April examination schedule available online.

**February 19** Statutory holiday, University closed.

**February 19-23** Winter Break. Classes are suspended.

**March 1** 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.

**March 27** Last day for summative tests or examinations, or formative tests or examinations totalling more than 15% of the final grade, in winter term or fall/winter courses before the official examination period (see Examination regulations in the Academic Regulations of the University section of the Undergraduate Calendar/General Regulations of the Graduate Calendar).

**March 30** Statutory holiday, University closed.

**April 11** 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 14-26** Final examinations in winter term and fall/winter courses may be held. Examinations are normally held all 7 days of the week.

**April 26** All take home examinations are due on this day.

May 18-29 Fall/Winter and Winter term deferred final examinations will be held.