



BUSI 3007 A
Auditing I
Fall 2014

Part 1: Administrative

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Class: Tuesdays and Thursdays 1:05 p.m. to 2:25 p.m.
Office hours: Thursdays 2:30 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:

1. Auditing: The Art and Science of Assurance Engagements, Canadian 12th edition, Pearson, 2013, by A.A. Arens, R.J. Elder, M.S. Beasley, and I.G. Splettsjoesser
2. The CICA Handbook – Assurance available at <http://edu.knotia.ca.proxy.library.carleton.ca/> from on-campus computers
3. The ICAO's Member's Handbook
<http://www.icao.on.ca/Resources/Membershandbook/1011page2629.pdf>
4. Articles posted on CULearn.

Grading Scheme:

Contribution to the Classroom Environment	10%
Quizzes (2 x 5%)	10%
Mid-term Examination 1	20%
Mid-term Examination 2	20%
Group Project	20%
Final Examination	<u>20%</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. 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 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 access CULearn, type in the following URL: <https://www.carleton.ca/culearn/>

Contribution to the Classroom Environment (10 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 class 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, by responding to questions in class, 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 three 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. Self-assessments are to be submitted via 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, in class 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 a mix of multiple choice and 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.

Group Project (Report 20 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 %)

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 (including due dates for various components of the project) 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.

Midterm Examinations (Midterm 1 - 20 percent and Midterm 2 - 20 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 **one** opportunity to write an alternate midterm. The date and time for an alternate midterm will be determined in accordance with the School’s accommodation arrangements. Students in this situation will be informed by the professor of the alternate date and time. Students who do not write the alternate midterm at the arranged time will receive a grade of 0 for the midterm.

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.

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 2014 exam period is November 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/>
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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. 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.

BUSI3007
DETAILED COURSE SCHEDULE

Date	Topic	Readings	Other Activities	Discussion Questions
September 4 2014	Introduction		Auditing Exercise	
September 9 2014	An Overview of Auditing and Assurance Services	Required: Chapter 1		1-17
September 11 2014	The Auditor's Report	Required: Chapter 20 <i>Reference:</i> CAS 700, 705, 706, 710 Bring in a recent audit report www.sedar.com	Food & Staples Retailing	20-19
September 16 2014	The Public Accounting Profession	Required: Chapter 2 <i>Reference:</i> CAS 200, 220, CSQC-1, 5030, 5021		
September 18 2014	Professional Ethics and Independence	Required: Chapter 3; <i>Reference:</i> ICAO Member's Handbook	Retailing	3-17
September 23 2014	Legal Liability	Required: Chapter 4; <i>Reference:</i> Handbook 5020, 9200		4-18 Group Project Component: The Company
September 25 2014	Audit Responsibilities and Objectives	Required: Chapter 5 <i>Reference:</i> CAS 200, 210, 240, 315	Transportation	5-26
September 30 2014	Client Risk Profile and Documentation	Required: Chapter 6; <i>Reference:</i> CAS 230, 300, 315, 550		Quiz 1 6-20
October 2 2014	Materiality and Risk	Required: Chapter 7; <i>Reference:</i> CAS 320, 450	Mining	7-17
October 7 2014	Audit Evidence	Required: Chapter 8 <i>Reference:</i> CAS 500, 501, 520, 505, 610, 620		8-17 First Self-Assessment
October 9 2014	Internal Controls and Control Risk	Required: Chapter 9 <i>Reference:</i> CAS 265, 330, 610	Forestry	9-34 Group Project Component: The Industry
October 14 2014	Audit Strategy and Audit Program	Required: Chapter 10 <i>Reference:</i> CAS 315, 330, 520		10-23

Date	Topic	Readings	Other Activities	Discussion Questions
October 16 2014	Midterm 1	Chapters 1 – 10 and 20		Mid-term Exam 1
October 21 2014	Audit Sampling Concepts	Required: Chapter 11 <i>Reference:</i> CAS 500, 530		
October 23 2014	Audit of the Sales and Collection Cycle: Tests of Controls	Required: Chapter 12 <i>Reference:</i> CAS 240	Telecommunications	12-27 Group Project Component: Financial Health
October 28 & 30 2014	Fall Break Week	No classes scheduled		
November 4 2014	Completing the Tests in the Sales and Collection Cycle: A/R	Required: Chapter 13 <i>Reference:</i> CAS 505		Quiz 2 13-27
November 6 2014	Audit of Cash Balances	Required: Chapter 14	Banking	Second Self-Assessment 14-18
November 11 2014	Audit of the Human Resources and Payroll Cycle	Required: Chapter 15 <i>Reference:</i> CAS 402; CSAE 3416		15-20
November 13 2014	Audit of the Acquisition and Payment Cycle	Required: Chapter 16 <i>Reference:</i> CAS 550	Oil & Gas	16-19
November 18 2014	Audit of the Inventory and Distribution Cycle	Required: Chapter 17 <i>Reference:</i> CAS 501		17-17
November 20 2014	Midterm 2	Chapter 1 – 17 and 20		Mid-term Exam 2
November 25 2014	Audit of Capital Acquisition and Repayment Cycle	Required: Chapter 18		18-23
November 27 2014	Completing the Audit	Required: Chapter 19 <i>Reference:</i> CAS 260, 450, 560, 570, 580, 600, 720	Not for Profit	19-21
December 2 2014	Other Assurance Engagements	Required: Chapter 21 <i>Reference:</i> CAS 800, 805, 810, 3416, 5025, 5800, 5815, 5925	Public Sector	Final Self-Assessment
December 4 2014	Other Assurance Engagements	<i>Reference:</i> 7050, 8100, 8200, 8500, 8600, 9100, 9110, 9200		Group Project Component: Audit Plan

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 report should be no more than 20 typed, double-spaced pages in length. A few additional pages of appropriate appendices may be included.

The Company (3-4 pages)

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. What image does it intend to convey?

The Industry (3-4 pages)

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)

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)

Based on a detailed examination of the financial statements (including key notes) and your knowledge of the company's business and its industry, 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 GAAS were used?

Grading

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