



**BUSI 3007 B**  
**Auditing I**  
**Winter 2015**

**Part 1: Administrative**

**Professor:** Merridee Bujaki, MBA, CPA, CA, PhD  
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**Office:** Dunton 1010  
**Phone:** (613) 520-2600 ext. 2774  
**Class:** Tuesdays and Thursdays 2:35 p.m. to 3:55 p.m.  
Southam 520  
**Office hours:** Tuesdays 11:00 a.m. – 1:00 p.m.  
Or by appointment (Please contact me via e-mail to set up an appointment)

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

**Auditing I**

Auditing theory, methodology and application.

Precludes additional credit for BUSI 4007 (no longer offered).

Prerequisite(s): third-year standing and [BUSI 2002](#) (may be taken concurrently).

Lectures three hours a week.

**Required Texts:**

1. Auditing: The Art and Science of Assurance Engagements, Canadian 12<sup>th</sup> edition, Pearson, 2013, by A.A. Arens, R.J. Elder, M.S. Beasley, and I.G. Spletstoeser
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:**

<b>Quizzes (2 x 5%)</b>	<b>10%</b>
<b>Mid-term Examination 1</b>	<b>20%</b>
<b>Mid-term Examination 2</b>	<b>20%</b>
<b>Group Project</b>	<b>30%</b>
<b>Final Examination</b>	<b><u>20%</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. 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/>

### **Quizzes (2 x 5 percent)**

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

within 7 days of the quiz being returned to the class. Quizzes may be done in class or online, at the professor's discretion. Instructions will be provided in class.

### **Group Project (Report 30 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 30 %)**

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.

### **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 the weighting of the midterm allocated to the final exam.

### **Final Examination (20 percent)**

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

### **Deferred Final Examinations:**

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

### **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

Note that course grades are not final until they have been approved by the Dean.

### **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](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*). 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 deadline for contacting the Paul Menton Centre regarding accommodation for final exams is listed in the Important Dates found at the end of this course outline.

#### *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](http://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](http://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**

<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Other Activities</b>	<b>Discussion Questions</b>
January 6, 2015	Introduction		Auditing Exercise	
January 8, 2015	An Overview of Auditing and Assurance Services	<b>Required:</b> Chapter 1		1-17
January 13, 2015	The Auditor's Report	<b>Required:</b> Chapter 20 <i>Reference:</i> CAS 700, 705, 706, 710 Bring in a recent audit report <a href="http://www.sedar.com">www.sedar.com</a>	Food & Staples Retailing Loblaw Companies Limited	20-19
January 15, 2015	The Public Accounting Profession	<b>Required:</b> Chapter 2 <i>Reference:</i> CAS 200, 220, CSQC-1, 5030, 5021		
January 20, 2015	Professional Ethics and Independence	<b>Required:</b> Chapter 3; <i>Reference:</i> ICAO Member's Handbook	Retailing Sears Canada	3-17
January 22, 2015	Legal Liability	<b>Required:</b> Chapter 4; <i>Reference:</i> Handbook 5020, 9200		4-18 <b>Group Project Component: The Company</b>
January 27, 2015	Audit Responsibilities and Objectives	<b>Required:</b> Chapter 5 <i>Reference:</i> CAS 200, 210, 240, 315	Transportation Trimac Transportation Ltd.	5-26
January 29, 2015	Client Risk Profile and Documentation	<b>Required:</b> Chapter 6; <i>Reference:</i> CAS 230, 300, 315, 550		<b>Quiz 1</b> 6-20
February 3, 2015	Materiality and Risk	<b>Required:</b> Chapter 7; <i>Reference:</i> CAS 320, 450	Mining Barrick Gold Corporation	7-17
February 5, 2015	Audit Evidence	<b>Required:</b> Chapter 8 <i>Reference:</i> CAS 500, 501, 520, 505, 610, 620		8-22
February 10, 2015	Internal Controls and Control Risk	<b>Required:</b> Chapter 9 <i>Reference:</i> CAS 265, 330, 610	Forestry Tembec, Inc.	9-34 <b>Group Project Component: The Industry</b>
February 12, 2015	Midterm 1	Chapters 1 – 9 and 20		<b>Mid-term Exam 1</b>

<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Other Activities</b>	<b>Discussion Questions</b>
February 17 & 19 2015	Winter Break Week	No classes scheduled		
February 24, 2015	Audit Strategy and Audit Program	<b>Required:</b> Chapter 10 <i>Reference:</i> CAS 315, 330, 520		10-23
February 26, 2015	Audit Sampling Concepts	<b>Required:</b> Chapter 11 <i>Reference:</i> CAS 500, 530		
March 3, 2015	Audit of the Sales and Collection Cycle: Tests of Controls	<b>Required:</b> Chapter 12 <i>Reference:</i> CAS 240	Telecommunications Manitoba Telecom Services Inc.	12-27 <b>Group Project Component: Financial Health</b>
March 5, 2015	Completing the Tests in the Sales and Collection Cycle: A/R	<b>Required:</b> Chapter 13 <i>Reference:</i> CAS 505		<b>Quiz 2</b> 13-27
March 10, 2015	Audit of Cash Balances	<b>Required:</b> Chapter 14	Banking Scotiabank	14-18
March 12, 2015	Audit of the Human Resources and Payroll Cycle	<b>Required:</b> Chapter 15 <i>Reference:</i> CAS 402; CSAE 3416		15-20
March 17, 2015	Audit of the Acquisition and Payment Cycle	<b>Required:</b> Chapter 16 <i>Reference:</i> CAS 550	Oil & Gas Encana Corporation	16-19
March 19, 2015	Audit of the Inventory and Distribution Cycle	<b>Required:</b> Chapter 17 <i>Reference:</i> CAS 501		17-17
March 24, 2015	Midterm 2	Chapter 1 – 17 and 20		<b>Mid-term Exam 2</b>
March 26, 2015	Audit of Capital Acquisition and Repayment Cycle	<b>Required:</b> Chapter 18		18-23
March 31, 2015	Completing the Audit	<b>Required:</b> Chapter 19 <i>Reference:</i> CAS 260, 450, 560, 570, 580, 600, 720	Not for Profit Canadian National Institute for the Blind	19-21
April 2, 2015	Other Assurance Engagements	<b>Required:</b> Chapter 21 <i>Reference:</i> CAS 800, 805, 810, 3416, 5025, 5800, 5815, 5925	Public Sector Government of Canada	
April 7, 2015	Other Assurance Engagements	<i>Reference:</i> 7050, 8100, 8200, 8500, 8600, 9100, 9110, 9200		<b>Group Project Component: Audit Plan</b>

**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 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) (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. What image does it 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) (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 GAAS 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

### **December 25 to January 2**

University closed

### **January 5**

Winter-term classes begin. Late Charges now apply.

### **January 16**

Last day for registration for winter term courses.

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

Students who have not deposited (via automated upload) the final copy of their thesis to the office of the Faculty of Graduate and Postdoctoral Affairs must register.

### **January 31**

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

### **February 13**

April examination schedule available online.

### **February 13-21**

Fall-term deferred examinations will be held

### **February 16**

Statutory holiday, University closed.

### **February 16-20**

Winter Break. Classes are suspended.

### **March 1**

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

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

### **March 6**

Last day to submit, to the Paul Menton Centre for Students with Disabilities, Formal Examination Accommodation Forms for April examinations.

### **Late March (Date TBA)**

Last day to pay any remaining balance on your Student Account to avoid a hold on access to marks through Carleton Central and the release of transcripts and other official documents. An account balance may delay Summer 2014 course selection.

### **April 3**

Statutory holiday, University closed.

**April 8**

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 9-10**

No classes or examinations take place

**April 11-23**

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

**June 8-18 (including Saturdays)**

Fall/winter and winter term deferred final examinations will be held.