



**BUSI 3007 A**  
**Auditing I**  
**Fall 2016**

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**Office:** TBD  
**Phone:** TBD  
**Class:** Tuesdays 18:05-20:55  
Tory Building 208  
**Office hours:** Tuesdays 21:00-22:00  
Or by appointment (please contact me by e-mail to set up an appointment)  
**Prerequisites:** Third year standing and BUSI 2002 (may be taken concurrently). **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): 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 13<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 1	20%
Mid-term Examination 2	20%
Group Project	30%
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. 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 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.

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.

## 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 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			

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, 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*). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are appropriate

and can be made. The deadlines for contacting the Paul Menton Centre regarding accommodations for December exams is November 11, 2016.

#### *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 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: <http://www2.carleton.ca/sasc/advisingcentre/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/support-services/>  
Be in the know with what's happening at Sprott: Follow @SprottStudents and find us on Facebook SprottStudents Sprott.

#### **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 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.

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 13, 2016</b>	An Overview of Auditing and Assurance Services	<b>Required:</b> Chapter 1	
	The Auditor's Report	<b>Required:</b> Chapter 20 <i>Reference:</i> CAS 700, 705, 706, 710 Bring in a recent audit report	
<b>September 20, 2016</b>	The Public Accounting Profession	<b>Required:</b> Chapter 2 <i>Reference:</i> CAS 200, 220, CSQC-1, 5030, 5021	
	Professional Ethics and Independence	<b>Required:</b> Chapter 3 <i>Reference:</i> ICAO Member's Handbook	
<b>September 27, 2016</b>	Legal Liability	<b>Required:</b> Chapter 4 <i>Reference:</i> Handbook 5020, 9200	<b>Group Project Component: The Company</b>
	Audit Responsibilities and Objectives	<b>Required:</b> Chapter 5 <i>Reference:</i> CAS 200, 210, 240, 315	
<b>October 4, 2016</b>	<b>Quiz 1</b>		
	Client Risk Profile and Documentation	<b>Required:</b> Chapter 6 <i>Reference:</i> CAS 230, 300, 315, 550	
	Materiality and Risk	<b>Required:</b> Chapter 7 <i>Reference:</i> CAS 320, 450	
<b>October 11, 2016</b>	Audit Evidence	<b>Required:</b> Chapter 8 <i>Reference:</i> CAS 500, 501, 520, 505, 610, 620	<b>Group Project Component: The Industry</b>
	Internal Controls and Control Risk	<b>Required:</b> Chapter 9 <i>Reference:</i> CAS 265, 330, 610	
<b>October 18, 2016</b>	<b>Midterm 1</b>	<b>Chapters 1 – 9 and 20</b>	
	Audit Strategy and Audit Program	<b>Required:</b> Chapter 10 <i>Reference:</i> CAS 315, 330, 520	
<b>October 25, 2016</b>	Reading week, no class		

<b>Date</b>	<b>Topic</b>	<b>Readings</b>	<b>Group Project</b>
<b>November 1, 2016</b>	Audit Sampling Concepts	<b>Required:</b> Chapter 11 <i>Reference:</i> CAS 500, 530	<b>Group Project Component: Financial Health</b>
	Audit of the Sales and Collection Cycle: Tests of Controls	<b>Required:</b> Chapter 12 <i>Reference:</i> CAS 240	
<b>November 8, 2016</b>	<b>Quiz 2</b>		
	Completing the Tests in the Sales and Collection Cycle: A/R	<b>Required:</b> Chapter 13 <i>Reference:</i> CAS 505	
	Audit of Cash Balances	<b>Required:</b> Chapter 14	
<b>November 15, 2016</b>	Audit of the Human Resources and Payroll Cycle	<b>Required:</b> Chapter 15 <i>Reference:</i> CAS 402; CSAE 3416	
	Audit of the Acquisition and Payment Cycle	<b>Required:</b> Chapter 16 <i>Reference:</i> CAS 550	
	Audit of the Inventory and Distribution Cycle	<b>Required:</b> Chapter 17 <i>Reference:</i> CAS 501	
<b>November 22, 2016</b>	<b>Midterm 2</b>	<b>Chapters 1 – 17 and 20</b>	
	Audit of Capital Acquisition and Repayment Cycle	<b>Required:</b> Chapter 18	
<b>November 29, 2016</b>	Completing the Audit	<b>Required:</b> Chapter 19 <i>Reference:</i> CAS 260, 450, 560, 570, 580, 600, 720	<b>Group Project Component: Audit Plan</b>
	Other Assurance Engagements	<b>Required:</b> Chapter 21 <i>Reference:</i> CAS 800, 805, 810, 3416, 5025, 5800, 5815, 5925, 7050, 8100, 8200, 8500, 8600, 9100, 9110, 9200	<b>Groups Presentations</b>
<b>December 6, 2016</b>			<b>Groups Presentations</b>

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 2016

<b>September 1, 2016</b>	Last day for receipt of applications from potential fall (November) graduates.
<b>September 5, 2016</b>	Statutory holiday. University closed.
<b>September 6, 2016</b>	Academic orientation (undergraduate and graduate students). Orientation for new 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.
<b>September 7, 2016</b>	Fall term begins. Fall and fall/winter classes begin.
<b>September 20, 2016</b>	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 2016 and must register for the fall 2016 term.
<b>September 23-25, 2016</b>	Summer deferred final examinations held.
<b>September 30, 2016</b>	Last day to withdraw from fall term and fall/winter courses with a full fee adjustment.
<b>October 7, 2016</b>	December examination schedule (fall term final and fall/winter mid-terms) available online.
<b>October 10, 2016</b>	Statutory holiday. University closed.
<b>October 15, 2016</b>	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.
<b>October 24-28, 2016</b>	Fall break, no classes.
<b>November 11, 2016</b>	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.
<b>November 15, 2016</b>	Last day for receipt of applications for admission to an undergraduate degree program for the winter term.
<b>November 25, 2016</b>	Last day for tests or examinations in courses below the 4000-level before the final examination period (see Examination Regulations in the Academic Regulations of the University section of the Undergraduate Calendar).
<b>December 1, 2016</b>	Last day for receipt of applications from potential winter (February) graduates. Last day for submission to the thesis supervisor of Master's and Ph.D. theses for winter graduation.
<b>December 9, 2016</b>	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.
<b>December 10-22, 2016</b>	Final examinations may be held for fall term courses and mid-term examinations in fall/winter courses. Examinations are normally held all seven days of the week.
<b>December 22, 2016</b>	All take home examinations are due.
<b>December 25 to January 1, 2017</b>	University closed.