

## SCHOOL OF ACCOUNTING & COMMERCIAL LAW

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### ACCY 232 AUDITING AND TAX

Trimester One 2006

### COURSE OUTLINE

#### Contact Details

The *Course Lecturers* are as follows:

|              | <i>Office</i> | <i>Tel (extn.)</i> | <i>E-Mail Address</i>  |
|--------------|---------------|--------------------|--|
| Tim Fairhall | RH 631        | 6709               | <a href="mailto:tim.fairhall@vuw.ac.nz">tim.fairhall@vuw.ac.nz</a> |
| David Dunbar | RH 624        | 7422               | <a href="mailto:david.dunbar@vuw.ac.nz">david.dunbar@vuw.ac.nz</a> |

There may also be some guest lecturers during the course.

The *Course Administrator* is Jan May, Reception (RH 708), Phone direct 463 7465, or E-mail [janet.may@vuw.ac.nz](mailto:janet.may@vuw.ac.nz)

The course administrator should be contacted in relation to any changes to scheduled tutorial attendance and other inquiries, of an administrative nature. Uncollected and misplaced assignment inquiries should be directed to your tutor in the first instance - if unsuccessful, please see the course administrator.

Should your performance in this course in relation to any of the specified mandatory course requirements be impeded by unforeseeable events (or circumstances such as sickness, bereavement of a close relative or other such personal difficulties), you should contact the course administrator as soon as is reasonably possible. You will be required to complete a form, which will need to be approved by the course co-ordinator. **Do not delay this until the end of the course or when final results are posted.**

The *Course Co-ordinator* is Tim Fairhall, Room RH 631, Phone direct 463 6709, or E-mail [tim.fairhall@vuw.ac.nz](mailto:tim.fairhall@vuw.ac.nz)

#### Class Times and Room Numbers

Lectures are scheduled for Tuesday, Thursday and Friday 1.40 – 2.30pm, commencing Tuesday 28 February 2006 in GB LT1.

There will be nine tutorials held during the weeks beginning:

6 March, 13 March, 20 March, 27 March, 3 April and, 8 May, 15 May, 22 May, 29 May

Tutorial groups will be determined at the end of the first week of the trimester and posted on Blackboard, and on the Notice board on the Mezzanine floor of RH by 6 March 2006.

## Learning Objectives & Content

This course comprises an equal weighting of both auditing and tax. The three broad topic areas and the learning objectives for each are:

### AUDITING MODULE (6 weeks)

#### *THE NATURE AND PURPOSE OF AUDITING (2.5 weeks)*

Learning objectives: That students can:

- a) Explain the role of auditing and other assurance services
- b) Differentiate the external and internal audit roles in contributing to corporate governance
- c) Appreciate professional ethics, including independence and objectivity
- d) Identify current issues impacting the audit profession

#### *THE AUDIT STANDARDS (1 week)*

Learning objectives: That students can:

- a) Demonstrate an awareness of International Standards of Auditing 'ISA'
- b) Recognise the linkage of ISA with Auditing standards commonly employed in New Zealand as promulgated by ICANZ and the OAG

#### *THE AUDIT PROCESS (2.5 weeks)*

Learning objectives: That students can:

- a) Describe the key components of the external audit process
- b) Recognise the importance of understanding the business being audited
- c) Demonstrate an understanding of audit risk and materiality

### TAXATION MODULE (6 weeks)

#### *NEW ZEALAND TAXATION (1 week)*

Learning objectives: That students can:

- a) Demonstrate an awareness of direct and indirect taxation as an instrument of fiscal policy
- b) Demonstrate an awareness of income tax, GST, FBT, withholding taxes and imputation credits
- c) Display an awareness of the international tax regime

#### *INCOME TAX (3.5 weeks)*

Learning objectives: That students can:

- a) Distinguish taxable from non-taxable income and deductible from non-deductible expenditure
- b) Describe how tax-timing issues arise
- c) Describe the process for calculating income tax liabilities for corporate entities and individuals

#### *GOODS AND SERVICES TAX (1.5 weeks)*

Learning objectives: That students can:

- a) Demonstrate an awareness of the principles underlying goods and services tax
- b) Demonstrate an understanding of the concepts of taxable activity, taxable person, taxable period, taxable supplies, exempt supplies and zero-rating
- c) Demonstrate the calculation of goods and services tax using the invoice and cash bases, apportionment and adjustments

The Course Programme on page 8 of the course outline provides the general topics to be covered by each lecturer during the 3-week lecture blocks of each lecturer. Separate handout material will be distributed providing lecture summaries and overheads used in lectures.

## Readings

There are many texts that provide a good explanation of the concepts that underpin auditing and tax. However, all these texts deal with these subjects in much more detail than is expected for this course.

For the second trimester course of ACCY 232 in 2006 SACL is exploring with publishers the possibility of having a combined introductory auditing and tax text produced. Hence for this first

trimester course in 2006 there will not be a required text, however the following texts provide additional background to supplement the extensive Course Material Book produced for the course.

### **Auditing texts**

- Gay & Simnett – *Auditing and Assurance Services in Australia* – 3<sup>rd</sup> edition (McGraw-Hill Australia ISBN 007471563-1)
- Leung, Coram, Cooper, Cosserrat & Gill – *Modern Auditing & Assurance Services* – 3<sup>rd</sup> edition (Wiley Australia ISBN 047142244-4)
- Rittenberg, Schwieger, Schelluch, Topple & Jubb – *Assurance & Auditing Concepts for a Changing Environment* – 1<sup>st</sup> edition (Thomson Learning Australia ISBN 0-17-011134-2)
- Arens, Elder & Beasley – *Auditing and Assurance Services an integrated approach* – 11<sup>th</sup> edition (Pearson Education USA ISBN 013186712-1).

### **Tax text**

- Alley, Chan, Dunbar, Marples, Sharp *New Zealand Taxation Principles, Cases, Questions* – 2006 edition (Thomson Brookers ISBN tba)

Further readings available are the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which can be accessed (after registering with IFAC) free of charge <http://www.ifac.org/Store/Details.tmp?SID=95705605132866&Cart=11339029141882171>

### **Calculator and dictionary usage in exams**

Silent, non-programmable electronic calculators may be used in the exams. Calculators that have alphanumeric keyboards or can display words are **not** permitted. Provided the relevant form and approval is obtained from the FCA counter in Railway or Easterfield and brought with you to the exam, foreign language to English dictionaries are permitted in exams.

### **Assessment Requirements**

#### ***Workshops/Tutorials/Assignments***

At eight of the nine tutorials two or three students (depending on the class size) will be required to lead the discussion on the tutorial topic. You will be required to lead two tutorials during the course, one on auditing and one on tax. Tutors will lead discussion at the first tutorial in the week beginning 6 March 2006.

Tutorial groups and presentation teams will be posted on Blackboard by the beginning of the second week beginning 6 March 2006.

All students will be required to prepare their solutions to the tutorial topic and place in the designated assignment box on the mezzanine floor of Rutherford House by Monday 3pm of the week of the tutorial. Such assignments should not exceed 1500 words.

To assist in student learning of the tutorial topic it is suggested a copy of your assignment be retained for use at the weekly tutorial.

Up to 10% of your course mark will be awarded for your preparation for and leading of each of the tutorial discussions in the weeks you are the lead presenters. There are 5 marks per presentation, assessed as 1 for preparation and coordination with the other presenter(s), 1 for confident oral expression, 3 for strength of argument, getting discussion going with the other students and ability to debate your view.

Another 5% will be awarded where you are not one of the lead presenters, for your participation in the tutorial and the content of your assignment. You will not receive a formal mark for your assignment, but it will be reviewed in determining your preparation for and participation in the weekly workshop/tutorial. You will receive 0% or 5% based on your participation and assignments produced.

No publication or otherwise of the suggested solutions to workshop/tutorial topics will be given on Blackboard or distributed by tutors. Hence you will need to attend the workshop/tutorial to ensure you get the full benefit of discussion and debate on the subject material.

### ***Exams***

There will be a test/in-term examination during the week beginning 3 April 2006. Results for this exam will be posted immediately following the mid-term break on Blackboard and on the designated noticeboard on the Mezzanine floor of Rutherford House.

The content of the test will be taken from the material covered during the first five weeks of lectures and tutorials.

The final exam will cover the entire course, with emphasis on the last seven weeks of material covered in lectures and tutorials. The university examination period takes place between 5 - 23 June 2006.

### ***Final grade determination***

The final grade awarded for this course will be determined on the following basis:

| <i>Item of assessment</i>          | <i>Weighting</i> |
|------------------------------------|------------------|
| Tutorial participation/Assignments | 5%               |
| Two workshop/tutorial leads        | 10%              |
| Mid-trimester exam (135 minutes)   | 30%              |
| End-trimester exam (180 minutes)   | 55%              |

To pass this course, students must:

- a) Meet the ***mandatory course requirements*** (see below); and
- b) Obtain a mark of 45% from your answers to both the auditing and tax questions in the mid-trimester and end-trimester exams.

A summary of the areas expected to be covered, in your answers to the exams will be posted on Blackboard.

Should you wish to have your mark/grade reassessed for the mid-trimester exam or workshop/tutorial leads, please complete the form on page 10 of this course outline and deliver it to the Course Co-ordinator.

Should you wish to have your end-trimester exam reconsidered you will need to complete the requisite form at the Student Administration Office and pay the required fee. The fee will be refunded if the reconsideration results in an upward revision of your grade.

You should expect to spend on average 12 hours per week on the course (excluding travelling time and study for the exam). How this time is made up will vary from week to week, but would typically comprise:

- 3 hours in scheduled lectures;
- 6 hours preparing for and participating in workshops/tutorials and completing the assignment; and,
- 3 hours reading for lectures, and revising lecture and workshop notes.

Unless you keep up with the course work, you are likely to face considerable problems catching up in order to be adequately prepared for the exams.

In order to benefit from lectures you should read the relevant sections of the Course Materials Book (CMB) and the tax and audit supplements to the CMB relating to each lecture topic **before** the class sessions.

## **Mandatory Course Requirements**

To meet the mandatory course requirements you must:

- a) Take two workshop leads;
- b) Sit the mid-trimester exam; and
- c) Attend at least seven of the nine workshops/tutorials.

A list of attendances by students at workshops, along with whether there has been workshop participation and the marks for the workshop presentations by the lead students, will be updated weekly on Blackboard. Students who have any problems with this information on Blackboard must contact their tutor before the following weeks' tutorial/workshop.

Failure to meet mandatory course requirements will mean the student will be unable to sit the end-trimester examination.

## **Faculty of Commerce and Administration Offices**

### Railway West Wing (RWW) - FCA Student Administration Office

The Student Administration Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the office on (04) 463 5376.

### Easterfield (EA) - FCA/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce & Administration and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- FCA Student Administration forms (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

Check with the Student Administration Office for opening times (04) 463 5376.

## **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

## **Student Conduct and Staff Conduct**

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: [www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct).

The policy on Staff Conduct can be found on the VUW website at: [www.vuw.ac.nz/policy/StaffConduct](http://www.vuw.ac.nz/policy/StaffConduct).

## **Academic Grievances**

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

[www.vuw.ac.nz/policy/AcademicGrievances](http://www.vuw.ac.nz/policy/AcademicGrievances).

## **Academic Integrity and Plagiarism**

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

*'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.*

## **Plagiarism is not worth the risk.**

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct ([www.vuw.ac.nz/policy/studentconduct](http://www.vuw.ac.nz/policy/studentconduct)) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

*Find out more about plagiarism and how to avoid it, on the University's website at:* [www.vuw.ac.nz/home/studying/plagiarism.html](http://www.vuw.ac.nz/home/studying/plagiarism.html).

## **Students with Disabilities**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

## **Student Support**

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at [www.vuw.ac.nz/st\\_services/](http://www.vuw.ac.nz/st_services/) or email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz).

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz).

## **Manaaki Pihipihinga Maori and Pacific Mentoring programme (Faculties of Humanities and Social sciences and Commerce and Administration).**

- **What:** Academic Mentoring for Maori and Pacific students studying at all levels in the above faculties. Weekly sessions for an hour with a mentor to go over assignments and any questions from tutorials or lectures. Registered students can use the faculty's study rooms and computer suite at any time at Kelburn and Pipitea.
- Mature student and Post grad network

If you would like to register as a mentor or mentee please contact the coordinator.

### **Where:**

Melissa Dunlop  
Programme Coordinator  
Room 109 D  
14 Kelburn Parade: back courtyard  
Ph: (04) 463 6015  
Email: [Maori-Pacific-Mentoring@vuw.ac.nz](mailto:Maori-Pacific-Mentoring@vuw.ac.nz)

Please Note: A mentoring room will also be running at Pipitea Campus starting January. Please contact the Programme Coordinator for details.

## Lecture topics 2006

The course will be lectured in 4 blocks of three weeks. 2 blocks will be audit and 2 blocks will be tax. The topic outline below is indicative only, albeit that the topics will be covered during the three-week block period.

| <b>Week beginning</b> | <b>Topic</b>  | <b>Lecturer</b> |
|-----------------------|---|-----------------|
| 27 February           | Government revenue, overview of tax system                  | David Dunbar    |
| 6 March               | Conceptual framework, GST                                   | David Dunbar    |
| 13 March              | Gross revenue, FBT  | David Dunbar    |
| 20 March              | What are Assurance Services? What is an audit?              | Tim Fairhall    |
| 27 March              | Corporate governance, professional ethics, and independence | Tim Fairhall    |
| 3 April               | Auditing Standards & Regulators                             | Tim Fairhall    |
| 24 April              | Allowable deductions  | David Dunbar    |
| 1 May                 | Entity taxation, tax planning                               | David Dunbar    |
| 8 May                 | Anti-avoidance, international tax                           | David Dunbar    |
| 15 May                | The Audit process, including understanding the business     | Tim Fairhall    |
| 22 May                | Materiality & Risk  | Tim Fairhall    |
| 29 May                | The auditor's reporting obligation                          | Tim Fairhall    |

**The associated readings for these weeks are included in the balance of the Course Materials Book under tabs following the topics for the lectures outlined above. A supplement to the Course Materials Book will be distributed for the tax and audit modules, containing lecture summaries and some additional readings.**



## WORKSHOP/TUTORIAL SIGN-UP INSTRUCTIONS

To sign up for your ACCY 232 workshop/tutorials you need to follow the instructions below. Please note that the [Blackboard](#) login procedure has changed. To login to [Blackboard](#) you must use your Victoria University student domain (SCS) user name and password.

1. To sign up select the '**Discussion Board**' button on the left hand side of the screen.
2. Click on '**Tutorial Sign-up**', which will open a list of tutorial times. Click on the workshop time of your choice. To register your name for this workshop you must then click on the '**Reply**' button at the bottom of the page.
3. Place an 'x' in the **message** box which is below **subject** and click on '**submit**' at the bottom of the page. You have now registered for this tutorial. Your name should appear under the tutorial of your choice. **Please note that no more than 12 students per workshop are accepted.** Count the number of names under the tutorial to ensure that there are **less than 12** names.
4. If you need to change your workshop group, please **remove** your name from the first workshop you signed up for. To do this, follow steps 1-3. Select '**Tutorial Sign-up**' and double click on the workshop time beside your name. Click the '**remove**' button, followed by **OK**. You can now choose a different tutorial time by following steps 2 and 3.
5. Any student who signs up more than **once** will be deleted from all workshops and emailed by the course administrator requesting they make their workshop choice again.
6. Any student who has signed up **after** a workshop group has been filled will be emailed by the course administrator and requested to select another workshop group.

