

## SCHOOL OF ACCOUNTING & COMMERCIAL LAW

Telephone 463 5383, Facsimile 495 5076. E-mail: [sacl@vuw.ac.nz](mailto:sacl@vuw.ac.nz)

### ACCY 406: AUDITING

Trimester One 2006

### COURSE OUTLINE

#### Facilitators Contact Details

	<i>Office</i>	<i>Telephone</i>	<i>Email</i>
Tim Fairhall (Course Coordinator)	RH 631	463 6709	<a href="mailto:Tim.Fairhall@vuw.ac.nz">Tim.Fairhall@vuw.ac.nz</a>
Carolyn Cordery	RH 626	463 5761	<a href="mailto:Carolyn.Cordery@vuw.ac.nz">Carolyn.Cordery@vuw.ac.nz</a>

#### Class Times and Room Numbers

Monday 3.40-5.30pm (Weeks 1 and 3-12) RLWY 126

University examination period is from June 5-25.

#### Course Objectives

By the end of the course, participants should have an understanding of:

- the role of auditing in society;
- the fundamental concepts that underpin auditing – including (but not limited to) independence, materiality and audit risk;
- the audit process – its objectives and how it seeks to achieve those objectives; and,
- the critical and difficult issues that currently confront the auditing profession.

#### Course Content

This course aims to provide a critical insight into, and develop an understanding of, current issues in auditing. It is not intended to train potential auditors but to develop students' ability to:

- critically appraise research and commentary on problematic issues that characterise and confront the theory and practice of modern external auditing; and
- communicate their ideas clearly and succinctly orally and in writing.

#### Course Material

A fee will be charged for Course Materials and Additional Handouts.

## **Course Organisation & Requirements**

Students will be asked to identify issues that currently confront the auditing profession and

- a) Select the issue they wish to research (their area of primary research interest); and
- b) Identify three secondary areas of research interest (one of which will be researched with another student who has selected this as his/her area of primary interest).

A listing was provided at the Honours briefing on February 20 with 16 examples of relevant topics and related readings. Students may select another topic and/or reading(s) if they wish, with the final approval of the Course Coordinator.

Students will be research leader for, and write their research report on, the issue identified as their area of primary research interest. They will also work in partnership with another student who is the research leader for his/her secondary area of research interest. Each research pair will give a presentation and facilitate discussion on the issue they have researched together to last 60-90 minutes.

Once students have selected their primary area of research interest, they need to identify one key article on the issue in question. They then need to email the course coordinator by March 6 with details of:

- a) Primary research area
- b) Research article relating to the primary research area
- c) Three secondary areas of research

*All* students will be expected to read the relevant articles prior to the particular issue being discussed in class. Tim and Carolyn will arrange the research topics so that the presentations follow in a logical sequence.

On March 8, all class members will receive:

- a) A completed session topic schedule for the remainder of the course; and
- b) A listing of readings covering each topic to be discussed during the course.

The selected reading for each topic will be available to all class members on March 10.

In order to facilitate students researching their topics of interest and preparing their presentations (including their précis), no class sessions will be held in week 2 (March 8). However, in week 3 (March 15) students will be expected to submit and present a précis of their selected topic for class discussion and refinement. The presentation and discussion of each précis will last between 10-15 minutes, depending on final class numbers.

## **Group Presentation and Research Report**

### ***Group Presentations:***

All students are required to give two group presentations – one relating to their primary research interest and another in their secondary research area.

The development of presentational and leadership skills, and the practice of working effectively with other colleagues (who may have a different working style, different attitudes and different strengths), are planned outcomes of the group presentation exercise. Students

should approach their presentations constructively, and with the key objective of enhancing the knowledge and learning of the group.

No particular presentation style is paramount. Each partnership should select the style with which they feel most comfortable but be guided by the question: “How best can we enhance the group’s knowledge about, and understanding of, this issue?”

By and large students are expected to solve problems that may arise within the partnership relationship. However, if it becomes clear that the partnership is not going to complete its work, the students concerned should contact the course co-ordinator.

Primarily, assessment for this deliverable will focus on verbal communication skills and the manner in which students encourage enthusiasm from the rest of the group for their topic. As this requires full participation of all class members, a mark for participation will also be determined.

**Report:**

The report should not exceed 2500 words. All reports are due within two weeks of the relevant presentation or Friday June 2, whichever is sooner. They are to be handed in to the School Office. In fairness to all students who submit their work on time, a one-mark penalty per day will be applied to all reports that are submitted after the due date. Reports will be returned to students by June 9 (they will be available from the School Office). Primarily, assessment for this deliverable will focus on research and written communication skills.

Approval will be sought from students for completed research reports (without comments of markers) to be made available to all class members on June 9.

**Examination:**

An examination worth 45% will be held during the Examination Period. Primarily the focus of this assessment will be on students’ understanding of the role of audit in society and current issues as synthesised from course learning. Written communication skills will also be tested. Further details will be provided closer to the examination date.

**Assessment Requirements**

Assessment will be based on the following:

- a) Group presentations\* (1 @ 15%) 15%  
(1 @ 10%) 10%
- b) Individual presentation 5%
- c) Class participation 5%
- d) Individual research report 25%
- e) Final examination (3 hours) 40%

\*The mark for these presentations will be established as follows:

<b>Component</b>	<b>Primary presenter</b>	<b>Seconder presenter</b>
Underlying research and understanding	2	2
Co-ordinated presentation showing team work	3	2
Presentation/visual aids	2	2
Contribution to class learning (Peer assessed)	3	2
Ability to respond to questions and stimulate class discussion	5	2
<b>TOTAL</b>	<b>15</b>	<b>10</b>

Course Programme	Week		Topic of the session/Key event	Facilitator
	No	Date		
	1	Feb 27	Auditing in Society	Tim Fairhall
	2	March 7	Confirmation of topic selection, readings and groups for presentations	Tim Fairhall
	3	Mar 13	Précis delivery and discussion on topics	Tim Fairhall/Carolyn Cordery
	4	Mar 20	In class case study/exam expectations	Tim Fairhall/Carolyn Cordery
	5	Mar 27	Auditor Liability solutions (LLP, capping, prop) Staff. (2005). EU – Auditor Liability: Taking Risks, within reason. <i>Accountant</i> , October, p4. Muzatko, S.R., Johnstone, K.M., Mayhew, B.W. and Rittenberg, L.E. (2004). An empirical investigation of IPO underpricing and the change to the LLP organization of audit firms. <i>Auditing-A Journal Of Practice &amp; Theory</i> 23 (1): 53-6	Karl / Hao  (Karl's report due 24 April)
	6	April 3	Regulation of auditors, including standardisation of auditing standards. Is the profession redundant?  Weiss, M.I. and Berney, E.A. (2004). Restoring investor trust in auditing standards and accounting principles. <i>Harvard Journal on Legislation</i> , 41(1), 29-57	Kathleen / Karl  (Kathleen's report due 1 May)
	7	April 24	Independence of auditors – the special challenges  Ashbaugh, H. (2004). Ethical Issues Related to the Provision of Audit and Non-Audit Services: Evidence from Academic Research. <i>Journal of Business Ethics</i> , 52(2), 143-149.	Hao /Hamil  (Hao's report due 8 May)
	8	May 1	The ethics test –Can firms encourage or discourage “good behaviour”?  Dillard, J.F. and Yuthas, K. (2002). Ethical audit decisions: A structuration perspective. <i>Journal of Business Ethics</i> , 36(1-2), 49-64	Hamil / Jason  (Hamil's report due 15 May)
	9	May 8	Quality issues audit firm rotation  Arrunada, B. and PazAres, C. (1997). Mandatory rotation of company auditors: A critical examination. <i>International Review Of Law And Economics</i> , 17 (1), 31-61	Jason / Kathleen  (Jason's report due 22 May)
	10	May 15	Individual Topic 1 & 2	Individual presenters 1&2
	11	May 22	Individual Topic 3 & 4	Individual presenters 3&4
	12	May 29	Individual Topic 5/Revision. Reports returned to individuals and made available (without comments) to all students	Individual presenter 5/ Tim Fairhall and Carolyn Cordery

## 2<sup>nd</sup> topics

- **Hamil:** Patterson, E.R., Smith, R. (2003). Materiality uncertainty and earnings misstatement. *Accounting Review* 78 (3), 819-846.
- **Jason:** McMillan, K. P. (2004). Trust and the virtues: a solution to the accounting scandals? *Critical Perspectives on Accounting*, 15, 943-953.
- **Hao:** Koh, H.C. and Woo, E-S. (1998). The expectation gap in auditing. *Managerial Accounting Journal*, 13(3), 147-154.
- **Kathleen:** The future – audit of sustainable development reports?
- **Karl:** Bierstaker, J.L., Burnaby, P. and Thibodeau, J. (2001). The impact of information technology on the audit process: an assessment of the state of the art and implications for the future. *Managerial Auditing Journal*, 16(3), 159-164

### 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)