

School of Accounting and Commercial Law

MMPA 510 AUDITING

Trimester 2, 2013

COURSE OUTLINE

Names and Contact Details	Office	Telephone
<i>Course Coordinator & Lecturer</i> Associate Professor Ania Rose ania.rose@vuw.ac.nz Office hours: TBA	RH 701	463 5724
<i>Course Administrator</i> Pinky Shah pinky.shah@vuw.ac.nz Office hours: Monday-Friday, 8.30am-5pm	RH 728	463 6921

Please contact the Course Administrator regarding attendance or other enquiries of an administrative nature.

Trimester Dates

Teaching Period: Monday 15 July – Friday 18 October
Study Period: Monday 21 October – Thursday 24 October
Examination Period: Friday 25 October – Saturday 16 November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 26 July 2013.
2. The standard last date for withdrawal from this course is Friday 27 September 2013. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘*Application for Associate Dean’s Permission to Withdraw Late*’ including supporting documentation. The application form is available from either of the Faculty’s Student Customer Service Desks.

Class Times and Room Numbers

Mondays: 11.30am-2.20pm

Venue: GB LT 4 (Government Buildings Lecture Theatre 4), Pipitea Campus

Introduction

This course is designed to introduce you to the concepts of auditing, focusing in particular on external financial statement audits. The course develops understanding of the professional issues that concern auditors, and the techniques auditors use in the current business environment. We will be working on developing professional judgment and the inter-personal skills necessary for a successful career in accounting and/or auditing. Areas in which professional judgment will be developed include materiality and risk assessment, fraud, application of auditing standards, and the determination of sufficient competent evidential matter. The course is also designed to develop and practice oral and written communication skills in the context of auditing practice as well as to expose students to a “real-world” auditing environment and work paper techniques.

In addition, the course is designed to provide the student with an experience that will require them to: (a) work in a group through group assignments (audits are performed by audit teams); (b) deal effectively with imposed pressures; (c) organize and delegate tasks; and (d) resolve conflict. All of these skills are necessary for a successful auditing and/or accounting career.

Course Delivery

The course will be delivered through three-hour lectures one day a week for 12 weeks (a mid-trimester test will be held during lecture time in the sixth week).

Group Work

You will be required to complete cases in groups. You are expected to spend approximately 2 hours per week working with your group beyond the scheduled class time.

Expected Workload

In addition to the course delivery and group work hours, you are expected to spend approximately 10 hours per week on average in reading and preparation. This workload may not be spread evenly over the semester.

Prescription

The corporate governance role of external auditing in financial markets, including professional, ethical and technical requirements, and current auditing research issues.

Course Learning Objectives

Students who are successful in the course will be able to:

- (a) Conduct research and analysis through working with and debating with other students;
- (b) Recognise the role of audit and assurance in society and as a service provided by professionals;
- (c) Appreciate the importance of such audit concepts as judgment and materiality, risk assessment, audit standards, and ethics;
- (d) Recognise the choices available and the judgments necessary in reporting on financial statements.

Course Content

Attendance

Attendance is expected. There is a strong positive correlation between attendance and the mark in the course. I typically point out and explain the most important topics in my lectures, and the test and exam focus on these topics. Solutions to cases and assignments will be discussed only in class.

There will be no make-ups given for missed in-class activities.

Communication skills and the ability to “think on your feet” are important for accountants and auditors. Your performance in the course will likely be improved by in-class participation. You should be prepared each day to respond to questions. You should study the chapter readings prior to each class meeting.

Homework

At the beginning of our discussion of each chapter, I will select some homework problems for you to work on. These problems are meant to help you understand the concepts we discuss and problems we work on in class. I will not collect or go over the homework problems in class but will post the solutions to the homework one or two days after the homework is assigned. I only choose a subset of the homework and consider these problems to be the most critical for your learning of the material. You should work through the homework and then check your answers with the provided solutions. Attempting homework before looking at the solutions will test your understanding of the material and will help you focus your studying for the test and exam. It is your responsibility to keep up with the homework and not to leave all of it until the last minute before the test and exam – if you do, you will not be able to learn it or ask any questions about it!

Readings

Required Textbooks:

- *Auditing: Theory and Practice in New Zealand*. Van Peurse, Pratt and Cordery. 6th Edition (2011). Pearson Education: Auckland. ISBN# 978-1-4425-4367-6.
- *Integrated Audit Practice Case*. Kerr, Elder and Arens. 5th Edition (2011); Armond Dalton Publishers Inc. ISBN# 978-0-912503-35-6.

Materials and Equipment

A non-programmable calculator will be allowed for the test and the exam.

Assessment

Item	Specifications	%	Due Date	Course Learning Objectives Covered
Test	90 minutes, closed book	25%	Monday 19 August 2013, 11.30am in GBLT4	(b), (c), (d)
Integrated Audit Practice Case Assignments (group mark)	See below	15%	Various, see p. 8; submit at the start of class on the due date	(a), (b), (c), (d)
Presentation/internal control evaluation (individual mark)	See below	5%	Monday 16 Sept. 2013, 11.30am	(a), (c)
Participation (individual mark)	See below	5%	Weekly during each class	(a), (b), (c), (d)
Examination	120 minutes, closed book	50%	TBA (see 'Examinations' below)	(b), (c), (d)

Test

The 90 minute closed-book test will be a combination of multiple-choice questions, problems, and short essay questions. The test will be designed to evaluate your understanding of auditing concepts **and** your ability to communicate this understanding. The test is scheduled during class time in the sixth week of the course and will cover material from lectures, cases, assignments, and readings delivered in the first five weeks of the course.

Group Projects

Responsibilities of Group Members

In the second week of the trimester, I will assign you to study groups of 4 students (some groups may have different number of students if the total number of students in the class is not a multiple of 4). Everyone has to do the group projects in their groups (i.e., you do not have the option of doing the work on your own). The reason for group participation is to simulate “real world” situations. Audit work is always performed in audit teams. Your group must resolve any conflicts that may arise.

Practising group interaction and cooperation in this class will better prepare you for the work environment. Also, different backgrounds and ideas of the group members will enhance the quality of your work. You will submit only one copy of each assignment for the whole group. Every group member will receive the same mark for each assignment. Your mark may be adjusted downward if you do not participate equally in the completion of the group assignment.

The group cases will be evaluated based on the following criteria: neatness and professionalism, reasonableness of solutions, completeness of explanations, and attention to detail (e.g., dating and initialling of working papers, cross-referencing, etc.). Prepare the assignments in the same professional manner that you would for an employer. It is critical for auditors to prepare their work in a neat and organized fashion because supervisor auditors must review the work of staff auditors and working papers are used in future audits.

In order to ensure participation outside of class of the entire group and to maintain fairness for the group members in case completion, you will be required to submit:

Group Meeting Sheets – Every time your group meets, you should fill out this record of attendance, participation and accomplishments. Each group member that attends the meeting has

to sign the group meeting sheet. The group will submit one sheet per group meeting. You will submit the group meeting sheets with each group assignment. If a group member is deemed by these sheets not to have participated in the cases, the group member's case marks will be reduced appropriately. One blank group meeting sheet is attached. Please make copies of the group meeting sheet as needed. This form, as well as class slides and materials, will be posted on Blackboard.

Integrated Audit Practice Case

The Integrated Audit Practice (IAP) Case consists of 10 assignments (we will complete 8 of these). The purpose of the case is to capture the essence of conducting an actual audit. The objectives of the case are to:

- help you understand the interrelationships among many audit decisions involved in audit planning, audit testing, and the formation of the auditor's opinion,
- help you learn how auditors make decisions and perform audits when they are confronted with information about the entire company (where some data may be irrelevant or contradictory), and
- familiarize you with audit working papers and good working paper techniques.

Attach a completed coversheet (available on Blackboard) to each assignment, including the names **and** signatures of the group members that contributed to the preparation of the assignment. Every group member must be involved in every assignment. Group members who do not participate will receive a mark of zero for the assignment. Each member should first complete the assignment on their own and then meet as a group to discuss the solutions and compile the group answers to be submitted for marking. You are to discuss the case with your group members but not with other groups.

You will **type** the answers only to the **discussion questions** that are included at the end of each case in the Assignment booklet (do **not** tear out these pages with answers written on the lines provided; rather, you will type the answers in a Word document, print, and submit with the workpapers). Answers on **workpapers (i.e., forms)** **must** be written **neatly** in pencil. The workpapers are then removed from the case book and submitted. Please do not recreate the workpapers on your computer to fill in with typed answers. The Excel CD provided with the case book will only be used for the very last assignment (Assignment 10). (Please do not purchase "used" copies of the IAP case as these will most likely have missing pages. The bookstore has new copies of this book.)

On the due date of each case, you must be prepared to discuss each case assignment. This will constitute one part of the participation mark. Other class participation will also be taken into consideration for the participation mark, including involvement in the discussion of in-class group and individual activities.

The IAP case is worth a total of 15% of the course mark. The following are the percentages for each practice case assignment that will be assessed on a group mark.

IAP Case Assignment 1	1%	Review client background information
IAP Case Assignment 2	2%	Perform preliminary analytical procedures
IAP Case Assignment 3	2%	Determine materiality and assess risk
IAP Case Assignment 4	2%	Assess control risk and plan tests of controls
IAP Case Assignment 5	2%	Perform tests of controls and transactions
IAP Case Assig. 6, Opt. C	2%	Perform audit of accounts receivable
IAP Case Assignment 8	2%	Perform audit of cash
IAP Case Assignment 10	2%	Complete the audit

Internal Control Evaluation

Each group will prepare a report evaluating internal controls of a business. On the due date (see Lecture Schedule), each group will present their findings to the class in a formal presentation. Each student will present the findings they covered in the written paper. The presentation should last about 15 minutes (per group). Further instructions on the project will be provided in class.

Mark Appeals/Changes

If you believe an error has been made in marking or recording an assignment, case or test, you must submit a **written** request for review on the form provided on page 9, with full explanation and reasons for credit, within one week of the date the assignment, case or test mark was made available to you. Submit the form to the Course Coordinator.

Participation

Marks for in-class activities contribute to your participation mark. The participation mark also includes an assessment of your verbal communication during class time (i.e., answering questions). The individual participation mark will total 5% over the trimester.

Exam

The two hour closed-book final exam is comprehensive and can cover any element of the course, including lectures, cases, assignments, and readings.

Penalties

Due dates, times and conditions are firm. Extensions are not offered. Special consideration requests will be received and considered should significant, unanticipated circumstances beyond your control prevent you from completing an assessment on time. No outcome is guaranteed. If you believe that timely completion of a course requirement is impeded by such a circumstance (e.g. injury, bereavement of a close relative), you should contact the Course Coordinator by email as soon as you become aware of the situation. You will ultimately be required to provide an explanation supported by independent, relevant evidence for your request to be considered. You should make every reasonable attempt to complete/attend the assessment at the due date/time as your efforts to do so will be part of the consideration. If you anticipate such a problem, do not delay in notifying us about it. If you will miss the test or the exam, you must notify us **in advance** of the time that the test/exam is given.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and submitted to Turnitin. A copy of submitted materials will be retained on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the following period:

Friday 25 October – Saturday 16 November (inclusive)

Mandatory Course Requirements

In addition to obtaining an overall course mark of 50 or better, students must:

- obtain at least 40% of the total marks available in the test and exam *e.g.* if the test is out of 30 marks and the exam is out of 70 marks, you will need to get 40 of the 100 marks available, and
- complete the internal control evaluation and the presentation.

If you cannot complete an assignment or sit a test or examination, refer to

www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the course coordinator and the class. The class representative provides a communication channel to liaise with the course coordinator on behalf of students.

Communication of Additional Information

Additional information concerning this course will be provided in lectures and posted on Blackboard: <http://blackboard.vuw.ac.nz>. Urgent notices will be circulated by email.

Student feedback

Any feedback is considered and followed up on.

Student feedback on University courses may be found at

www.cad.vuw.ac.nz/feedback/feedback_display.php

Link to general information

For general information about course-related matters, go to

<http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Lecture Schedule

Week	Topics Covered*	Readings (van Peurseem et. al.)	Assessment**
1 15 Jul	Introduction to Auditing Audit concepts and standards	Chapters 1 and 3	
2 22 Jul	Role of the auditor Overall audit process	Chapters 4, 5 and 11	
3 29 Jul	Audit risk; Audit Planning Analytical Procedures	Chapters 8, 12 and 16	IAPC Assignment 1
4 5 Aug	Audit risk Audit judgment and materiality	Chapter 8 and 9	IAPC Assignment 2
5 12 Aug	Audit evidence and testing	Chapter 10	IAPC Assignment 3
6 19 Aug	Internal control; TEST	Chapters 13 and 14	TEST
MID-TRIMESTER BREAK (Monday 26 August – Sunday 8 September)			
7 9 Sep	Auditing in a computerized environment	Chapters 18 and 19	
8 16 Sep	Restaurant Evaluation Presentations Audit sampling – tests of controls	Chapter 17	Internal Control Eval. IAPC Assignment 4
9 23 Sep	Audit sampling – tests of balances	Chapter 20	IAPC Assignment 5
10 30 Sep	Audit of cash	Chapter 23	IAPC Assignment 6 (Option C)
11 7 Oct	Audit completion Audit reporting	Chapters 24 and 25	IAPC Assignment 8
12 14 Oct	Professional ethics	Chapter 6	IAPC Assignment 10

* The course coordinator reserves the right to change this schedule but will make every effort to keep the class on track.

** In addition to the assessment listed below, participation will be assessed on a weekly basis.

IAPC refers to the *Integrated Audit Practice Case* by Kerr et. al.

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GROUP MEETING SHEET

Case Number: _____ Date: _____

Meeting Objective: _____

List the group members that attended the meeting and the duties performed by each member.

Group Members and Duties

Member's Name	Duties

Accomplishments/Output of Meeting:

Signatures of Attending Members:
