

School of Accounting and Commercial Law

MMPA 510 AUDITING

Trimester 2, 2016

COURSE OUTLINE

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 place of audit and assurance in society and as a service provided by professionals;
- (c) Appreciate the importance of such audit foundations as judgment, ethics, business understanding, independent evidence, and risk mitigation;
- (d) Recognise the choices available and the judgments necessary in reporting on financial statements; and
- (e) Recognise differences in emphasis between auditing in the public and private sectors in New Zealand.

Course Content

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.

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 (see the **Penalties** section on page 6 for further details).

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 tests. 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 the exam – if you do, you will not be able to learn it or ask any questions about it!

Trimester Dates

Teaching Period: Monday 11th July – Friday 14th October

Study Period: Monday 17th October – Thursday 20th October

Examination Period: Friday 21st October – Saturday 12th November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 22nd July 2016.
2. The standard last date for withdrawal from this course is Friday 23rd September 2016. 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 or [online](#).

Names and Contact Details

<i>Course Coordinator & Lecturer</i>	Associate Professor Ania Rose ania.rose@vuw.ac.nz Office hours: Tuesday and Thursday, 12.30-1.30 pm	RH 626	463 6762
<i>Course Administrator</i>	Rebekah Sage rebekah.sage@vuw.ac.nz Office hours: Monday-Friday, 8.30 am-5.00 pm	RH 728	463 6921

Class Time and Room Number

Mondays: 12.40 – 3.30 pm

Venue: GB LT3 (Government Buildings Lecture Theatre 3), Pipitea Campus.

Readings

Required Material

The following textbook and materials are required for this course:

1. *Auditing, Assurance Services and Ethics in Australia: An Integrated Approach*. Aren et al. 9th Edition (2013). Pearson Australia. ISBN# 978-1-442539-36-5. (E-book is also acceptable).

2. *Integrated Audit Practice Case*. Kerr, Elder and Arens. 6th Edition (2014); Armond Dalton Publishers Inc. ISBN# 978–0–912503–56–1.

Mandatory course requirements

In addition to achieving an overall pass mark of at least 50%, students must:

1. obtain at least 40% of the total marks available in the tests *e.g.* if the mid-trimester test is out of 30 marks and the final test is out of 70 marks, you will need to get at least 40 of the 100 marks available, and
2. give a presentation, during the appointed class time, over the Internal Control Evaluation.

If you believe that exceptional circumstances may prevent you from meeting the mandatory course requirements, contact the Course Coordinator for advice as soon as possible. If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Expected Workload

In addition to the course delivery and group work hours, you are expected to spend approximately 7 to 8 hours per week on average in reading and preparation. This workload may not be spread evenly over the trimester.

Assessment

The Assessment Handbook will apply to all VUW courses: see

<http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

Item	Specifications	%	Due Date	Course Learning Objectives Covered
Mid-Trimester Test	120 minutes, closed book	30%	Monday 15 August 2016, 12.40pm in GBLT3	(b), (c), (d), (e)
Integrated Audit Practice Case Assignments (group mark)	See below	15%	Various, see pg. 8; submit at the start of class on the due date	(a), (b), (c), (d)
Internal Control Evaluation Paper (group mark)	See below	5%	Monday 19 Sept. 2016 12.40pm in GBLT3	(a), (c)
Internal Control Presentation (individual mark)	See below	5%	Monday 26 Sept., 2016, 12.40pm in GBLT3	(a), (c)
Participation (individual mark)	See below	5%	Weekly during each class	(a), (b), (c), (d)
Exam	120 minutes, closed book	40%	TBA (see 'Examinations' below)	(b), (c), (d), (e)

Mid-Trimester Test

The two hour **closed book** test will be a combination of short answer 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 – Integrated Audit Practice Case

Responsibilities of Group Members

In the second week of the trimester, I will assign you to study groups of 3 to 4 students. 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 at the beginning of each class when the assignment is due (i.e., cases are due at 12.40 pm in class during weeks 3 through 5 and 8 through 12). 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 on page 9. 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 Case (IAPC) 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.

The names of the group members that contributed to the preparation of the assignment must be included on a title page (and also signed above each name). Every group member must be involved in every assignment. Group members who do not participate will receive a grade of zero for the assignment. Each member should first complete the whole assignment on their own and then meet as a group to discuss the solutions. After agreeing on the best answers, you will create the group’s final case answers to be turned-in for grading. It is NOT appropriate to divide the questions/workpapers between the group members for completion. If you were to do this, each student will learn less than a third of the case. As a result, you may not be able to answer questions

on the test and exam over the cases. You may not discuss the case with students that are not in your group (this would be considered plagiarism and cheating).

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 turn-in with the workpapers). In addition, you must submit the discussion questions electronically via Blackboard (one submission per group).

Answers on **workpapers (i.e., forms) must** be written **neatly** in pencil. Please do not recreate the workpapers on your computer to fill in with typed answers. The “one time only” downloadable files provided with the case book will only be used for the very last assignment (Assignment 10).

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

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

Internal Control Evaluation

Each group will prepare a report evaluating internal controls of a business. On the due dates (see Lecture Schedule), each group will turn-in a written evaluation and 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.

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.

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 21st October – Saturday 12th November (inclusive)

Penalties

- **Assignment**

In fairness to other students, any assignment submitted after the deadline will be subject to a penalty of 5% of the total marks available for every day or part of a day (including Saturdays and Sundays) that the assignment is submitted late. For example, an assignment marked out of 100 due by 2pm on Monday 1 January but submitted at 1pm on Wednesday 3 January, would be marked out of 100 and then have 10 marks deducted from the marks awarded. No marks will be awarded to any assignment submitted after the assignment has been discussed in class or marked and returned to other students or after 10 days have elapsed, whichever occurs first.

An extension or waiver (with no penalty) will be considered on the grounds of exceptional personal circumstances. Students must complete the 'Assignment Extension/Waiver Application Form' available on Blackboard and submit the form (with the relevant supporting documentation) to the MPA Administrator, preferably before the assignment due date.

Note: The submission of an application does not mean that the extension has been approved. Penalties, as detailed above, will apply if the extension is not granted.

- **Tests**

Unjustifiable absence from a test will result in a mark of 'zero' for that test and may result in a student not meeting the mandatory course requirements.

Students unable to take scheduled tests due to exceptional circumstances, must complete the 'Consideration of Exceptional Personal Circumstances for Tests Application Form' available on Blackboard. Submit this form to the MPA Administrator as early as possible, preferably before the test date.

Note: The submission of an application does not mean that the test requirement has been changed or waived. Penalties, as detailed above, will apply if it is not successful.

Exceptional Personal Circumstances include an impairment assessed by Disability Services, illness, bereavement, circumstances involving the health or wellbeing of a relative or close friend, compulsory attendance at court, national or international representative commitments, significant cultural commitments, or activities in which the student is representing the University.

*Note: Not being organised or failing to plan ahead are **not** exceptional circumstances.*

Group Work

You will be required to complete cases in groups. You are expected to spend approximately 3 hours per week working with your group on each case assignment.

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.

Materials and Equipment

Non-programmable calculators will be allowed for the exam.

Student feedback

Student feedback for the current delivery of the course has been very favourable and therefore, no significant changes have been made to the course this trimester.

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php.

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.

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	Date	Topics Covered*	Readings (Arens et. al.)	Assessment**
1	11 July	Introduction to Auditing Demand for Audit & Assurance Services	Chapter 1	
2	18 July	Audit Quality and Ethics Public versus Private Sector Audits	Chap. 3 Chap. 19 (pgs.764-774)	
3	25 July	Audit Responsibilities and Objectives	Chap. 4	IAPC 1
4	1 Aug.	Materiality and Risk	Chap. 7	IAPC 2
5	8 Aug.	Audit Evidence Audit Planning and Documentation	Chap. 5 Chap. 6	IAPC 3
6	15 Aug.	MID-TRIMESTER TEST (120 minutes; closed-book)		TEST
MID-TRIMESTER BREAK (Monday 22 August – Sunday 4 September)				
7	5 Sept.	Internal Control and Control Risk	Chap. 8	
8	12 Sept.	Overall Audit Plan and Audit Program Audit Sampling – Tests of Controls	Chap. 11 Chap. 14	IAPC 4
9	19 Sept.	Audit Sampling – Tests of Details of Balances	Chap. 14	IAPC 5 Int. Control Paper Due
10	26 Sept.	Audit of Cash Internal Control Presentations	Chap. 16 (pgs. 629-646)	IAPC 6 (Option B) Int. Control Presentations
11	3 Oct.	Completing the Audit Audit Reporting	Chap. 17 Chap. 18	IAPC 8
12	10 Oct.	Impact of IT on the Audit Process	Chap. 10	IAPC 10

* The course coordinator reserves the right to change this schedule but will inform students when the schedule changes.

** IAPC (*Integrated Audit Practice Case* by Kerr et. al.) assignments are due at the beginning of class (12.40 pm).

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

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:
