



**MACQUARIE**  
UNIVERSITY ~ SYDNEY

**MACQUARIE UNIVERSITY**

**ACCG 340 – AUDITING & ASSURANCE SERVICES**

**UNIT OUTLINE – SEMESTER 2, 2005**

**MACQUARIE UNIVERSITY  
DIVISION OF ECONOMICS AND FINANCIAL STUDIES  
UNIT OUTLINE ACCG 340**

<b>Year and Semester:</b>	2005 Semester 2
<b>Unit Convenor:</b>	James Hazelton
<b>Prerequisites:</b>	ACCG 310 (P), ACCG 250 (P)

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

### **ABOUT THIS UNIT**

#### UNIT DESCRIPTION (3 undergraduate credit points)

This unit is primarily concerned with the external audit of corporate financial statements. The lectures presented are structured to correspond with audit methodology used in practice and integrate Australian and International Auditing Standards.

The majority of the lectures deal with the various activities undertaken by auditors. The main stages of the audit process are addressed including planning, gathering and evaluating audit evidence (including performance of tests of controls and substantive audit procedures) and the formation of the audit opinion. Topics such as analytical procedures and computer assisted audit techniques are not treated as separate topics, but are integrated throughout the unit. Other topics, including auditors' legal responsibilities, ethics and assurance services, are dealt with as special topics.

The lectures mainly deal with the concepts underlying the methodology, while the tutorial material is designed to demonstrate how the methodology is applied in practical situations.

#### TEACHING STAFF

**Convenor: James Hazelton**

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**Kym Boon (Unit Administrator)**

Room: C5C 401

Phone: 9850 8451

Email: [kboon@efs.mq.edu.au](mailto:kboon@efs.mq.edu.au)

Consultation hours will be detailed on the unit webpage. Please note that staff will only respond to emails that are sent by students from their Macquarie University email address.

**CLASSES**

The timetable for classes can be found on the University web site at:

<http://www.timetables.mq.edu.au/>

**LEARNING OUTCOMES**

This unit seeks to develop both generic skills and specific knowledge. A student passing this course must master specific knowledge of the audit process. In order to conduct effective audits a student will also develop their ability for critical analysis, problem solving, creative thinking and ethical reasoning. The ability to plan and implement the gathering of evidence, and the critical analysis of evidence, is a valuable skill that extends beyond the specific area of auditing financial statements.

## TEACHING AND LEARNING STRATEGY

### LECTURES:

Attendance at lectures is highly recommended. There will be practical explanations and examples given in lectures which supplement the text material and tutorial questions. If you choose not to attend lectures, it would be wise to be aware of any announcements made in lectures that could affect your study. Lecture slides will be available on the unit webpage a few days prior to the lecture. It is students' responsibility to download and print these slides.

### TUTORIALS

The objective of tutorial assignments is to apply audit theory to practical situations. Tutors will discuss the issues and difficulties students had in answering the questions. Tutorial assignments must be submitted at the end of each tutorial on a weekly basis.

Solutions will be made available in the week following each tutorial for the discussion problems and case studies only. It is required that students attempt all tutorial questions in writing. Simply copying out a model solution will not be counted as work by the student. Students will receive a 1/2 mark for each complete tutorial to a maximum of 5 marks. A complete tutorial:

- Attempts all tutorial questions;
- Is submitted in the students' registered tutorial (not before, not after, not to the same tutor's class at a different time etc. etc.)

Tutors will not award marks for assignments that do not meet the above criteria under any circumstances. If you are unable to attend your tutorial due to illness or other reasons you will NOT receive any tutorial marks for that week (but remember it's only worth a 1/2 mark). If you are unable to attend a number of tutorials due to a persistent illness or some other reason, you must formally apply for special consideration in respect of your within-semester assessment.

Students may only attend their registered tutorial. Tutorial performance and attendance will be taken into account when considering any appeals for special consideration.

**Please note that any changes to tutorial classes MUST be done online.**

## REQUIRED AND RECOMMENDED TEXTS

All students should purchase from the Co-op Bookshop the following:

Gay, G. and Simnett, R., *Auditing and Assurance Services in Australia*, Third edition, McGraw-Hill, Sydney, 2005.

Note that previous editions of this text are NOT acceptable as there have been substantial revisions to the Auditing Standards.

This text will be supplemented with extracts (available on e-reserve) from:

Messier, W., S. Glover & D. Prawitt, *Auditing & Assurance Services*, Fourth Edition, Irwin / McGraw-Hill, New York, 2004.

Students will also be expected to read the relevant Auditing Standards, available either online at <http://www.auasb.gov.au/> or published as the *Auditing Handbook 2005*, being volume 2 of the Accounting and Auditing Handbook 2005 by both Wiley and Prentice Hall.

The following texts are useful as additional references:

Arens, A., P. Best, G. Shailer, B. Fielder, R. Elder & M. Beasley, *Auditing and Assurance Services in Australia*, Sixth Edition, Pearson, Sydney, 2005

Leung P., P. Coram, B. Cooper, G. Cosserat and G. Gill, *Modern Auditing and Assurance Services*, Second Edition, John Wiley and Sons, Milton, Queensland, 2004.

## WORLD WIDE WEB (WWW) SITES

### Web CT

Students can access the Web site for ACCG 340 from either their home/office (via modem) or at University computers.

The url is: <http://online.mq.edu.au>

### myMQ : Macquarie Student Portal

The Student Portal is now available to all students. myMQ, the student portal, provides the gateway to information for current students. The myMQ Portal has been designed to bring all student resources to one location to access all of their university resources. The Portal contains links to:- Student Email-Calendar- On Line Teaching Facility- Library catalogue and reserve systems- eStudent - Unit home pages- and many other student and university resources. Additional services will be added throughout the year and future initiatives will include a portal for University staff.

The Student Portal home page is located at <https://my.mq.edu.au>

### RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

The following forms of assessment will be undertaken during the semester:

Tutorial work and participation	5%
Mid-semester assignment	10%
Mid-semester test	25%
Final examination	60%
	100%

To obtain a pass in the course, it is necessary to:

- (a) attempt ALL assessment components, and
- (b) obtain a pass in the final examination, and
- (c) obtain an overall passing grade for the course.

### MID-SEMESTER ASSIGNMENT

The mid-semester assignment is due in tutorials the first week back after the mid-semester break (beginning 3rd October). The assignment will require you to perform audit testing at the account balance level. Further details will be provided during the semester.

### MID-SEMESTER TEST

The mid-semester test will be held on Saturday 8th October at 11am. The test will be of 90 minutes duration with ten minutes of reading time. It will encompass topics covered in lectures 1 to 6 inclusive.

Students who do not attend the mid-semester examination have until Friday 15th October to apply to the Lecturer in Charge for special consideration. Applications must be in writing and set out clearly the grounds for consideration. Students must provide documentary evidence to support their appeal. Results of appeals for special consideration will be posted on the unit webpage.

## FINAL EXAMINATION

The final exam will be 2 hours with ten minutes reading time. Note that marks may be deducted for poor grammar, spelling and expression.

Material that is examinable is

- all material presented at lectures,
- all material included in the prescribed text readings (including all questions at the end of each chapter),
- all tutorial assignment questions, and
- material in the Auditing Standards that is referred to in the lecture notes or that relates to tutorial assignment questions.

**Note that the Auditing Handbook is NOT permitted to be taken into the final exam.**

The university examination period for semester 2 2005 is from 16 November to 2 December 2005. You are expected to present yourself for examination at the time and place designated in the Examination Timetable. The timetable will be in draft form before the commencement of the examinations at the following web address:

<http://www.timetables.mq.edu.au/exam/>

Please note that students who do not attend the officially time-tabled examination because of a misread timetable will automatically be given a failure grade (FA). Such students will not be given special consideration or permission to sit for supplementary examinations unless the student can demonstrate that the circumstances are so exceptional as to fall outside the reasonable application of the rule.

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at

<http://www.reg.mq.edu.au/Forms/APSCon.pdf>

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, that is the final day of the official examination period.

## PLAGIARISM

The University defines plagiarism in its rules: “Plagiarism involves using the work of another person and presenting it as one’s own. “ Plagiarism is a serious breach of the University’s rules and carries significant penalties. You must read the University’s practices and procedures on plagiarism. These can be found in the *Handbook of Undergraduate Studies* or on the web at: <http://www.student.mq.edu.au/plagarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

## UNIVERSITY POLICY ON GRADING

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

It is important that you realise that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit.

The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.

For an explanation of the policy see

<http://www.mq.edu/senate/MQUonly/Issues/Guidelines2003.doc> or  
<http://www.mq.edu.au/senate/MQUonly/Issues/detailedguidelines.doc>



## STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at: <http://www.student.mq.edu.au>

In particular, students should note that auditing requires a good command of English, particularly written English. The following services are available:

### **Writing Skills Program**

The Writing Skills Program is open to all Macquarie students and offers:

- FREE short courses on essay writing in weeks 6-10 each semester
- FREE individual consultations on academic writing (by appointment).

For more information check the website at:

[http://www.ling.mq.edu.au/support/writing\\_skills/index.htm](http://www.ling.mq.edu.au/support/writing_skills/index.htm)

### **English for Academic Purposes (EAP)**

The EAP Program is open to all Macquarie students who have a language background other than English. It offers:

- FREE workshops on pronunciation and grammar
- FREE individual 30 minute consultations on academic writing (by appointment)
- units for credit on academic writing and research skills (EAP100 and EAP101)

For more information check the **EAP Noticeboard** (opposite W3A 407) **at the start of semester** or contact:

Lorraine Sorrell	9850 9936	<a href="mailto:lorraine.sorrell@ling.mq.edu.au">lorraine.sorrell@ling.mq.edu.au</a>
Margaret Gillam	9850 6781	<a href="mailto:margaret.gillam@ling.mq.edu.au">margaret.gillam@ling.mq.edu.au</a>

### **International Study Skills Adviser – Justin Dutch**

The International Study Skills Adviser offers:

- FREE individual or small group consultations on academic writing (by appointment)
- FREE workshops run throughout semester on topics such as:
  - Understanding and Preparing Assignments
  - Improving Academic Writing
  - Proofreading Techniques
  - Essay Writing; Report Writing; Referencing

For more information check the website at:

<http://www.international.mq.edu.au/StudentServices/StudySupport/index.html>

### **Student Support Service**

The Student Support Service is open to all Macquarie students and offers:

- lots of useful web-based information about writing and referencing (and more)
- FREE 1 hour learning skills seminars throughout semester
- interactive online tutorials about ‘time management’ and ‘effective academic reading’

For more information check the websites at:

Web-based info: <http://www.sss.mq.edu.au/learning/undergrad/>

Workshops: <http://www.sss.mq.edu.au/counselling/workshops/learning.htm>

Online tutorials: <http://online.mq.edu.au/pub/UCHSTIME/>

## Writing Gateway

The Writing Gateway is an interactive online guide to academic literacy, covering topics such as referencing, plagiarism etc. An MQID is required to access it at the following website:

<http://online.mq.edu.au/pub/EDUCGATEWAY/>

## DETAILED COURSE OUTLINE

Schedule of topics			
Week No	Week Commences	Lecturer	Topic
1	1 Aug	JH	Introduction to audit and assurance services and the auditing profession
2	8 Aug	JH	Elements of the financial reporting audit process
3	15 Aug	JH	Knowledge of the business and evaluating strategic business risk
4	22 Aug	JH	Inherent risk assessment and materiality (Ch 7 – short), introduction to internal control (Ch 8 to p362)
5	29 Aug	JH	Internal control structure, assessing and testing control risk
6	5 Sep	KB	Substantive tests of transactions and balances - Cash, Investments, Debtors and Sales
7	12 Sep		<b>CONCEPTION DAY</b> –No tutorials or lectures this week.
8	3 Oct	KB	Substantive tests of transactions and balances – Inventory, Property, Plant & Equipment, Creditors and Expenses; use of CAATs  <b>MID-SEMESTER ASSIGNMENT DUE IN TUTORIALS</b>  <b>MID-SEMESTER EXAM Saturday 8<sup>th</sup> October</b>
9	10 Oct	PC	Completing the audit/Opinion formulation
10	17 Oct	NF	Legal responsibilities
11	24 Oct	NF	Professional Ethics
12	31 Oct	NF	Other Assurance Services and Internal Auditing
13	7 Nov	NF	Revision

### Lecturers:

JH = James Hazelton; KB = Kym Boon; PC = Parmod Chand; NF = Neil Fargher.

<b>Lecture 1</b> <b>Introduction to audit and assurance services and the auditing profession</b>
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**References:**

Gay and Simnett Chapters 1 and 2.

AUS 106 Explanatory Framework for Standards on Audit and Audit Related Services

AUS 206 Quality Control for Audits of Historical Financial Information (Revised 2004)

**Tutorial Questions:**

1.6, 1.7, 1.13, 1.14, 1.15, 1.23, 2.4, 2.6, 2.7, 2.27

<b>Lecture 2</b> <b>Elements of the Financial Reporting Audit Process</b>
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**References:**

Gay and Simnett Chapter 5

AUS 208: Documentation

AUS 402: Understanding the Entity and its Environment and Assessing the Risks of Misstatement (Revised 2004)

AUS 502: Audit Evidence (Revised 2004)

**Tutorial Questions:**

Lecture 1 multiple choice questions (download from 340 website);

5.6, 5.7, 5.8, 5.11, 5.16, 5.19, 5.22, 5.25,

<b>Lecture 3</b> <b>Knowledge of the Business &amp; Evaluating Strategic Business Risk</b>
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**References:**

Gay and Simnett Chapter 6  
AUS 204: Terms of Audit Engagement  
AUS 206: Quality Control for Audits of Historical Financial Information (Revised 2004)  
AUS 302: Planning  
AUS 402: Understanding the Entity and its Environment and Assessing the Risks of Misstatement (Revised 2004)  
AUS 406: The Auditor's Procedures in Response to Assessed Risks (Issued 2004)  
AUS 510: Initial Engagement – Opening Balances  
AUS 512: Analytical Procedures

**Tutorial Questions:**

Lecture 2 multiple choice questions (download from 340 website);  
6.4, 6.10, 6.9, 6.13, 6.15, 6.19, 6.25, 6.27

<b>Lecture 4</b> <b>Inherent Risk Assessment and Materiality, Introduction to Internal Control</b>
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**References:**

Gay and Simnett Chapter 7  
Gay and Simnett Chapter 8 to page 362  
AUS 210: The Auditor's Responsibility to Consider Fraud and Error in an Audit of a Financial Report (Revised 2004)  
AUS 302: Planning  
AUS 306: Materiality  
AUS 402: Understanding the Entity and its Environment and Assessing the Risks of Misstatement (Revised 2004)  
AUS 708: Going Concern

**Tutorial Questions:**

Lecture 3 multiple choice questions (download from 340 website);  
7.6, 7.7, 7.9, 7.13, 7.21, 8.3, 8.5, 8.7, 8.12,

## **Lecture 5**

### **Internal Control Structure, Assessing and Testing Control Risk**

**References:**

Gay and Simnett Chapter 8

Gay and Simnett Chapter 9

AUS 402: Understanding the Entity and its Environment and Assessing the Risks of Misstatement (Revised 2004)

AUS 406 The Auditor's Procedures in Response to Assessed Risks (Issued 2004)

AUS 502 Audit Evidence (Revised 2004)

AGS 1018 IT Environments – Stand-Alone Personal Computers

AGS 1020 IT Environments – On-Line Computer Systems

AGS 1022 IT Environments – Database Systems

AGS 1060 Computer Assisted Audit Techniques

**Tutorial Questions:**

Lecture 4 multiple choice questions (download from 340 website);

8.8, 8.18, 8.9, 8.26, 9.7, 9.8, 9.20, 9.27

## **Lecture 6**

### **Substantive Tests of Transactions and Balances – Cash, Investments, Debtors and Sales**

**References:**

Gay and Simnett Chapter 10

Messier, Glover & Prawitt Chapter 16 (download from e-reserve)

AUS 502 Audit Evidence (Revised 2004)

AUS 504: External Confirmation.

AUS 526: Auditing Fair Value Measurements and Disclosures

AGS 1002: Bank Confirmation Requests

**Tutorial Questions:**

Lecture 5 multiple choice questions (download from 340 website);

G&S 10.7, 10.8, 10.20;

M,G&P 16.24, 16.27

**Lecture 7**  
**Substantive Tests of Transactions and Balances – Inventory, Property,  
Plant & Equipment, Creditors and Expenses; use of CAATs**

**References:**

Gay and Simnett Chapter 10  
Messier, Glover & Prawitt Chapter 13 (download from e-reserve)  
AUS 502 Audit Evidence (Revised 2004)  
AUS 504: External Confirmation.  
AIUS 506: Existence and Valuation of Inventory  
AUS 526: Auditing Fair Value Measurements and Disclosures  
AGS 1060 Computer Assisted Audit Techniques

**Tutorial Questions:**

Lecture 6 multiple choice questions (download from 340 website);  
G&S 10.11, 10.13, 10.14, 10.24, 10.28, 10.30;  
M,G&P 13.28, 13.32

**Lecture 8**  
**Completing the audit – Opinion Formulation**

**References:**

Gay and Simnett Chapter 12 and 13  
AUS 212 Other Information in Documents Containing Audited Financial Reports  
AUS 520 Management Representations  
AUS 702 The Audit Report on a General Purpose Financial Report  
AUS 704 Comparatives  
AUS 706 Subsequent Events  
AUS 708 Going Concern  
AASB 110 Events After the Balance Sheet Date (Issued 2004)

**Tutorial Questions:**

Lecture 7 multiple choice questions (download from 340 website);  
12.5, 12.7, 12.10, 12.16, 12.28, 13.6, 13.7, 13.22, 13.25;

## **Lecture 9**

### **Legal responsibilities**

#### **References:**

Gay and Simnett Chapter 4

The Auditor in Court (video shown in lectures and available from Special Reserve)

AUS 210 The Auditor's Responsibility to Consider Fraud and Error in an Audit of a Financial Report (Revised 2004)

AGS 1014 Privity Letter Requests

#### **Tutorial Questions:**

Lecture 8 multiple choice questions (download from 340 website);

4.3, 4.5, 4.7, 4.17, 4.19, 4.25, 4.27;

Auditor in Court questions:

1. Part 1 – planning, supervision and control. List as many errors the auditors made as you can. How can they be avoided?
2. Part 2. Accounting Systems and Internal controls. There are two different systems on which the auditor wrongly placed reliance. What were the two systems? How did they fail? What was the extent of misstatement?
3. Part 3. Audit Evidence. The auditors failed to carry out procedures designed to gather sufficient appropriate evidence resulting in failure to discover four errors. What were the 4 errors? What was the audit failure?

## **Lecture 10**

### **Professional ethics**

#### **References:**

Gay and Simnett Chapter 3

CPC Joint Code of Professional Conduct

AUS 210 Irregularities, Including Frauds, and Other Illegal Acts and Errors

AGS 1014 Privity Letter Requests

#### **Tutorial Questions:**

Lecture 9 multiple choice questions (download from 340 website);

3.11, 3.12, 3.15, 3.20, 3.24, 3.28

<p style="text-align: center;"><b>Lecture 11</b> <b>Other Assurance Services and Internal Auditing</b></p>
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**References:**

Gay and Simnett Chapter 14 and 15

AUS 110 Assurance Engagements other than Audits or Reviews of Historical Financial Information (Issued 2004)

AUS 604 Considering the Work of Internal Auditing

AUS 802 The Audit Report on Financial Information Other than a General Purpose Financial Report

AUS 904 Engagements to Perform Agreed-Upon Procedures

**Tutorial Questions:**

Lecture 10 multiple choice questions (download from 340 website);

14.4, 14.10, 14.11, 14.21, 14.24, 15.3, 15.15, 15.17