



FACULTY OF
BUSINESS AND ECONOMICS

**MASTER OF ACCOUNTING (Professional)
and
MASTER OF ACCOUNTING (CPA Extension)**

UNIT GUIDE

**ACCG856 AUDITING &
ASSURANCE SERVICES**

Semester 1, 2010

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT GUIDE ACCG856**

| | |
|---------------------------|------------------|
| Year and Semester: | 2010 Semester 1 |
| Unit convenor: | Alicia Jiang |
| Prerequisites: | ACCG853, ACCG862 |

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

UNIT DESCRIPTION

This unit is structured within the framework of the audit risk model and thus begins with a discussion of the main components of that model - inherent risk, control risk and detection risk. After analysis and discussion of auditing standards and responsibilities, the unit seeks to examine the manner in which auditors gather evidence in the evaluation of inherent risk and control risk, and in other audit procedures necessary within the framework of the audit risk model. Included in this explanation is material on some of the techniques used by auditors in carrying out evaluations and other audit procedures. The unit concludes with the completion stage of the audit, being that part of the audit concerned with evaluation of audit evidence collected during the audit and the subsequent issue of the audit report.

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 Auditing Standards.

TEACHING STAFF

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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 in Semester 1, 2010 are as follows
(<http://www.timetables.mq.edu.au/>):-

| | |
|------------------|-----------|
| 9am-12pm C4A 318 | Tuesday |
| 6pm-9pm C5A 304 | Tuesday |
| 9am-12pm C5A 304 | Wednesday |

You MUST attend the scheduled class into which you are enrolled.

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*, **Revised** Fourth edition, McGraw-Hill Book Company Australia Pty Limited, 2010.

The following texts are useful as additional references.:

Auditing Handbook: "Auditing Handbook 2010", being volume 2 of the Accounting and Auditing Handbook 2010, published by Prentice Hall.

Leung, P., Coram P., Cooper, B.J., Cosserrat, G. and Gill, G.S., *Modern Auditing and Assurance Services*, Fourth edition, John Wiley & Sons Australia, Ltd, 2009

UNIT WEB PAGE

Students can access the Web site for ACCG856 from either their home/office (via modem) or at University computers.

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

LEARNING OUTCOMES

This unit seeks to develop student's generic skills through critical analysis, problem solving and creative thinking.

TEACHING AND LEARNING STRATEGY

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.

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.

During 2007 the Master of Accounting program engaged in a significant research project that was designed to investigate and find ways to enhance student participation in the classroom.

Students who were interviewed during the research project stated that participating in classroom discussions, answering lecturer's questions and engaging in meaningful discussion with colleagues when directed by the lecturer:

- assists them in retaining information and maintaining interest and concentration
- allows them to clarify or check their understanding
- provides opportunities to enhance and reinforce knowledge and learn from other students
- improves their English proficiency
- supports their development of communication skills
- develops skills needed in professional practice

Lecturers expect students to participate in class as it:

- provides opportunities for students to review or clarify lecture content and benefit from the experience of other students
- assists students to think about concepts and test whether their understanding is correct
- develops confidence in speaking
- provides opportunities to think in a different way

The research concluded that the benefits of participation include:

- *enhancing the learning process*
- *meeting lecturers' expectations of students*
- *helping to increase communication skills.*

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

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

| | |
|-----------------------------------|-------------|
| Mid-semester test | 35% |
| Tutorial Assignments (5 in total) | 10% |
| In-class Presentation | 5% |
| Final examination | 50% |
| TOTAL | 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 Test

The mid-semester test will be held on **Saturday 10th April 2010**. The test will last approximately 90 minutes, with ten minutes of reading time. It will encompass topics covered in **weeks 1 to 6 inclusive**.

Tutorial Assignments

The objective of tutorial assignments is to apply audit theory to practical situations. These MUST be attempted on a weekly basis. Students are expected to have pre-prepared these questions before each tutorial.

Five (5) tutorial assignments (each worth a maximum of two (2) marks) will be collected at random and graded accordingly:-

- (i) **2 marks** for each assignment completed satisfactorily (that is, all questions reasonably attempted);
- (ii) **1 mark** for assignments not completed satisfactorily (that is, incomplete answers or questions not answered); and,
- (iii) **0 marks** for assignments either not handed in or where questions poorly attempted.

You **MUST** attend your allocated lecture and hand in your tutorial assignments to your lecturer. **Late submissions will not be accepted. Half-marks will NOT be given. All assignments MUST be handwritten.**

As tutorial solutions will NOT be posted on the ACCG856 website, all discussions of tutorial questions will occur in class following each presentation.

In-class Presentation

Students will be selected each week and allocated a tutorial question to present in class the following week. In-class presentations will commence in Week 2.

Your mark will be given to you in the week following your presentation by your lecturer together with feedback. All presentations are to be limited in duration to no longer than 10 minutes each.

Marks will be based on technical content and presentation skills.

Final Examination

The final exam will be 2 1/2 hours with ten minutes reading time. Note that marks are deducted for poor grammar, spelling and expression.

Material that is examinable is

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

The university examination period for Semester 1 2010 is from 7 June to 28 June. You are expected to present yourself for examination at the time and place designated in the Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

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

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 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/plagiarism/>

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.

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

International Study Skills Adviser

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 Commencing | Topic |
| 1 | 22 February | Introduction to audit and assurance services and the auditing profession |
| 2 | 1 March | Elements of the financial reporting audit process |
| 3 | 8 March | Knowledge of the business and evaluating strategic business risk |
| 4 | 15 March | Inherent risk assessment and materiality |
| 5 | 22 March | Internal control structure and assessing control risk |
| 6 | 29 March | Test of controls |
| | | MID SEMESTER BREAK (5th-16th April) MID SEMESTER EXAM Saturday 10 April |
| 7 | 19 April | Substantive tests of transactions and balances |
| 8 | 26 April | Completing the audit |
| 9 | 3 May | Opinion Formulation |
| 10 | 10 May | Ethics, Independence and corporate governance |
| 11 | 17 May | Legal liability of Auditors |
| 12 | 24 May | Other Assurance Services |
| 13 | 31 May | Revision |
| | | Exam period 7th--28th June |

Lecture 1

Introduction to audit and assurance services and the auditing profession

References:

Gay and Simnett Chapters 1 and 2

ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards

ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information

Lecture 2

Elements of the Financial Reporting Audit Process

References:

Gay and Simnett Chapter 5

ASA 230: Audit Documentation

ASA 315: Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment

ASA 500: Audit Evidence

Lecture 3

Knowledge of the Business and Evaluating Strategic Business Risk

References:

Gay and Simnett Chapter 6

ASA 210: Agreeing the Terms of Audit Engagements

ASA 300: Planning of an Audit of a Financial Report

ASA 315: Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment

ASA 510: Initial Audit Engagements – Opening Balances

ASA 520: Analytical Procedures

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|---|
| <p style="text-align: center;">Lecture 4 Inherent Risk Assessment and Materiality</p> |
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References:

Gay and Simnett Chapter 7

ASA 300: Planning of an Audit of a Financial Report

ASA 320: Materiality in Planning and Performing an Audit

ASA 315: Identifying and Assessing the Risks of Material Misstatement Through
Understanding the Entity and its Environment

ASA 570: Going Concern

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|--|
| <p style="text-align: center;">Lecture 5 Internal Control Structure and Assessing Control Risk</p> |
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References:

Gay and Simnett Chapter 8

ASA 315: Identifying and Assessing the Risks of Material Misstatement Through
Understanding the Entity and its Environment

ASA 402: Audit Implications Relating to Entities Using Service Organisations

ASA 610: Using the work of Internal Auditors

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|--|
| <p style="text-align: center;">Lecture 6 Tests of Controls</p> |
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References:

Gay and Simnett Chapter 9

ASA 315: Identifying and Assessing the Risks of Material Misstatement Through
Understanding the Entity and its Environment

ASA 500: Audit Evidence

Lecture 7

Substantive Tests of Transactions and Balances

References:

Gay and Simnett Chapter 10

ASA 500: Audit Evidence

ASA 505: External Confirmations

ASA 501: Audit Evidence—Specific Considerations for Inventory and Segment Information

AGS 1002: Bank Confirmation Requests

Lecture 8

Completing the Audit

References:

Gay and Simnett Chapter 12

ASA 580: Written Representations

ASA 560: Subsequent Events

ASA 570: Going Concern

Lecture 9

Opinion Formulation

References:

Gay and Simnett Chapter 13

ASA 700: Forming an Opinion and Reporting on a Financial Report

Lecture 10
Ethics, independence and corporate governance

References:

Gay and Simnett Chapter 3

APES 110: Code of Ethics for Professional Accountants

ASA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

Lecture 11
Legal liability of Auditors

References:

Gay and Simnett Chapter 4

APES 110: Code of Ethics for Professional Accountants

ASA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

AGS 1014 Privity Letter Requests

Lecture 12
Other Assurance Services

References:

Gay and Simnett Chapter 16

ASA 800: Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity

Lecture 13
Revision