

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACCG856
Auditing & Assurance Services
Semester 1, 2011

Department of Accounting and Corporate Governance

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

Year and Semester:	2011 Semester 1
Unit convenor:	Dr Alicia Jiang
Prerequisites:	ACCG853, ACCG862
Credit points:	3

Students in this unit should read this unit guide 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

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 seminars presented are structured to correspond with audit methodology used in practice and integrate Australian Auditing Standards.

TEACHING STAFF

NAME	CONTACT INFORMATION		CONSULTATION TIMES (During Teaching Weeks)
Alicia Jiang Unit Convenor (UC)	<i>Office</i> <i>E-mail</i>	E4A 240 liwei.jiang@mq.edu.au	Thursday 1pm-3pm
Adrian Klamer	<i>E-mail</i>	adrian.klamer@mq.edu.au	Tuesday 4-5pm
Garry Morris	<i>E-mail</i>	garry.morris@mq.edu.au	Wednesday 12-1pm

E-mail is the primary form of communication.

CLASSES

The timetable for classes in Semester 1, 2011 are as follows (<http://www.timetables.mq.edu.au/>):-

Time	Monday	Tuesday	Wednesday
9am-12pm	Class 4: C4A318 Alicia Jiang	Class 1: C4A318 Adrian Klamer	Class 3: C5A304 GarryMorris
12pm-3pm			
3pm-6pm	Class 5: C5A304 Alicia Jiang		
6pm-9pm		Class 2: C5A304 Adrian Klamer	

Students are required to attend 3 hours face-to-face seminar each week. Students **MUST attend the scheduled class into which you are enrolled**. Seminar attendance and performance will be taken into account when considering any applications for special consideration.

ATTENDANCE REQUIREMENT

It is expected that students will attend **ALL** seminars scheduled for the subject. **NOTE:** seminar attendance **WILL** carry marks towards your overall result in the subject.

As part of your **assessment**, on FIVE (5) occasions during the semester the seminar assignments will be collected and marked by your lecturer. These weeks will be selected at random.

PRIZES

- Prizes for this unit

http://www.businessandconomics.mq.edu.au/postgraduate_degrees/prizes_scholarships

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

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

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

This text may be supplemented with readings available on the blackboard.

Students will also be expected to read the relevant Auditing Standards, available online at <http://www.auasb.gov.au/> or published as the *Auditing Handbook 2011*, being Volume 2 of the Accounting and Auditing Handbook 2011 by both Wiley and Pearson/Prentice Hall.

The following texts are useful as additional references.:

Gay, G. and Simnett, R., *Auditing and Assurance Services in Australia*, Fourth edition, McGraw-Hill Book Company Australia Pty Limited, 2010.

Arens, A., P. Best, G. Shailer, B. Fielder, R. Elder & M. Beasley, *Essentials of Auditing Assurance Services & Ethics in Australia*, Eight Edition, Pearson, Sydney, 2010.

TECHNOLOGY USED AND REQUIRED

Students are expected to download their seminar slides from the unit's online website, and prepare such material on a weekly basis, before they attend their seminar.

To access the unit's online website on Blackboard, students need to navigate to the following website <http://learn.mq.edu.au>. Technical advice and assistance is available to students on the following website: <http://online.mq.edu.au/docs/tecinf.html>.

Proficiency in Word and capability in searching on library databases and/or the internet for information will also be beneficial.

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

1. Understand assurance services and audits, appreciate the development of assurance and audit framework internationally and within Australia;
2. Understand the difference between audit of financial statements and other assurance services, and distinguish types of assurance services given specific scenarios;
3. Identify risk factors that impact on different audit risk components, assess materiality given different levels of risk, and plan specific audit engagements accordingly;
4. Select samples and apply appropriate audit procedures to test controls or to perform substantive tests, and document evidence gathered;
5. Consider appropriate actions taken for events discovered subsequent to the balance date, evaluate all evidence gathered, and identify the appropriate audit report to be issued;
6. Understand auditors' responsibilities including legal liabilities, and related ethical requirements. Utilize appropriate decision making models, and/or, with your critical thinking skills learnt through the process, make professional decisions.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world. This unit contributes to this by developing the following graduate capabilities:

1. Discipline Specific Knowledge and Skills:
 - a) Understand and undertake audit of financial statements
 - b) Appreciate the differences between audit of financial statements and other assurance services
 - c) Read and interpret audit reports and audit opinions
 - d) Understand auditors' responsibilities including legal liabilities and related ethical requirements
 - e) Appreciate the development of assurance and audit framework internationally and within Australia, and understand the role of professional and regulatory bodies.
2. Critical, Analytical and Integrative Thinking: for example, the ability to plan and implement the gathering of evidence, and the critical analysis of evidence are valuable skills that extend beyond the specific area of auditing financial statements;
3. Problem Solving and Research Capability: for example, the group assignment will require students to learn how to solve specific problems with respect to auditing one publicly listed Australian company, which requires research skills;
4. Creative and Innovative: for example, in order to make a clear and interesting presentation on one of the tutorial questions, creative and innovative thinking will be required;
5. Effective Communication is crucial for both written and oral assessment tasks;
6. Engaged and Ethical Local and Global citizens: the unit will cover ethical requirements;
7. Socially and Environmentally Active and Responsible: the unit will introduce two of the emerging assurance services on carbon emission and environment sustainability respectively.
8. Capable of Professional and Personal Judgement and Initiative: as auditing relies substantially on these attributes, this skill is developed through many of the exercises undertaken in this unit.
9. Commitment to Continuous Learning: the unit provides a platform for further study in Professional Accounting Body's programs.

TEACHING AND LEARNING STRATEGY

This unit involves one three-hour seminar per week. Each seminar is divided into two parts. The first part of each seminar involves working through the assignment questions. When working through these questions it is expected that students will contribute to the discussion and raise particular issues or problems that they have had with the assignment questions.

The second part of each seminar will comprise a mini-seminar that covers the key concepts of a topic area. The mini-seminar will help students understand the auditing process and be prepared to attempt the relevant assignment questions and problems that have been set for the

topic area. On average the unit will require students to complete between 6 to 8 hours of private study per week.

Week-by-week list of the topics to be covered including the related chapter(s) in the textbook is attached at the end of this unit outline, and assignment questions will be given at least one week before the seminar in which the assignment questions will be discussed. It will be beneficial if you could read through the relevant chapter(s) before the seminar, critically think about the assignment questions before seminars, and following the current issues in auditing will also help you to understand certain parts of materials covered by this unit.

There will be practical explanations and examples given in seminars which supplement the text material and seminar questions. If for some reason you may miss some seminars, it would be wise to be aware of any announcements made in seminars 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 seminar 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

	<u>Assessment Task 1 & 2</u> Weekly seminar assignments and presentation	<u>Assessment Task 3</u> Quizzes	<u>Assessment Task 4</u> Final exam
Description	see notes below	see notes below	see notes below
Due date	On enrolled seminar dates	Week 5 starting 21 st March for quiz one and week 11 starting 16 th May for quiz two	TBA
% Weighting	15%	25%	60%
Grading method	For weekly seminar assignments, please see below for the specific grading criteria. For presentations, marks will be based on technical content <u>and</u> presentation skills.	Suggested solutions provided will represent marking standards	Marking guide will be provided to qualified examiners as standard marking criteria
Estimated student workload (hours)	2hrs/week	2hrs/week	4hrs/week
Learning outcomes assessed			
1	x	x	
2	x	x	
3	x	x	
4	x	x	x
5	x		x
6	x		x
Graduate capabilities assessed			
1	x	x	x
2		x	x
3	x		
4	x		
5	x	x	x
6	x		x
7	x		
8	x	x	x
9			x

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.

Assessment task 1 & 2: Weekly seminar assignments and presentation

The objective of weekly seminar assignments is to apply audit theory to practical situations. There are also some theoretical questions each week to assist you in understanding the audit theory during that week. Lecturers may discuss the issues and difficulties students encounter in understanding theoretical questions and/or clarify practical questions. The focus will be on the later especially via comments on students' presentations on assigned questions.

On FIVE (5) occasions during the semester the seminar assignments will be collected and marked by your lecturer. These weeks will be selected **at random**. The Five (5) seminar assignments (each worth a maximum of two (2) marks) will be graded as follows:

2 marks for each assignment completed satisfactorily (that is, all questions reasonably attempted);

1 mark for assignments not completed satisfactorily (that is, incomplete answers or questions not answered); and,

0 marks for assignments either not handed in or where questions poorly attempted.

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

As solutions for the assignment questions will not be available, it is highly recommended that students attempt all assignment questions (**point form is acceptable**) before seminars, and revise your answers while lecturers comment on them at seminars.

Students will also be selected each week and allocated an assignment question to **PRESENT** at seminars the following week. Each student will be allocated **ONE (1)** assignment question to present. **The presentation will receive a maximum mark of 5 percent of your overall assessment.** In-seminar 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. Each presentation is to be limited in duration to no longer than 5 minutes followed by your lecturer's clarifications on issues related to the question.

Marks will be based on technical content **and** presentation skills.

Assessment task 3: Quizzes

There will be two quizzes during the semester. One quiz will be given during the first-half semester (in week 5) as an early diagnostic, and another will be given during the second-half semester (in week 11). Two quizzes will be worth a combined total of 25 percent of your overall assessment.

If you are unable to attend any seminar due to illness or other reasons, you may contact Unit Coordinator immediately so as to sit in another seminar, otherwise you will NOT receive any marks for the assignments and/or quizzes if collected/conducted. If you are unable to attend a number of seminars and/or any quiz due to a persistent illness or some other reason, you must formally apply for special consideration in respect of your within-semester assessment by submitting the “Advice of Absence” form to BESS with supporting documents; the form can be found from the website below:

http://www.businessandconomics.mq.edu.au/faculty_docs/student_support/Advice_of_Absence_Form.pdf

Assessment Task 4: Final Examination

A final examination, as well as the quizzes, is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and
- ii) the student has attained the knowledge and skills tested in the exam.

A **two and a half (2 1/2) hours with ten minutes reading time** final examination for this unit will be held during the University Examination period.

Material that is examinable is

- all material presented at lectures,
- all material included in the prescribed text and additional readings where applicable (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 marks may be deducted for poor grammar, spelling and expression, and **that the Auditing Handbook and calculators are NOT permitted to be taken into the final exam.**

The University Examination period in First Half Year 2011 is from **6th--27th June.**

You are expected to present yourself for examination at the time and place designated in the University 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. The University’s policy on special consideration process is available at

http://www.mq.edu.au/policy/docs/special_consideration/policy.html

Note that a Supplementary Examination is only granted where a student has demonstrated satisfactory coursework. **For the purposes of ACCG 856, satisfactory coursework would not be demonstrated where a student has obtained an aggregate within-semester assessment of less than 18 out of 40.**

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.

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:

<http://www.mq.edu.au/policy/docs/examination/policy.htm>

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Macquarie University uses the following grades in coursework units of study:

HD - High Distinction
D - Distinction
CR - Credit
P - Pass
F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

All final grades in the Department of Accounting and Corporate Governance are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University's 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).

The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and the overall assessment mark in the unit.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals

[http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals.](http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals)

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

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/>

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

SEMINAR PROGRAM—SEMESTER 1 2011

Week	Seminar Week commencing:	Topic	Text Topic Number
1	21 February	Introduction to auditing, assurance, and the public accounting profession	Chapter 1
2	28 February	Overview of the audit of financial statements and audit risk	Chapter 4 & 7
3	7 March	Client evaluation (i.e. understanding the entity, evaluating business risk and inherent risk), and planning the audit	Chapter 6
4	14 March	Materiality and audit evidence (Video: 4 Corners – HIH Report)	Chapter 8
5	21 March	Assessing internal control and test of controls (including basic audit sampling for tests of control) *Quiz one at the beginning of the seminar	Chapters 9 & 11
6	28 March	Designing substantive procedures, and audit revenue cycles CME (last 90 minutes only)	Chapters 10 & 12
7	4 April	Basic audit sampling for substantive tests, audit purchases cycles, and others; use of CAATs	Chapters 11 & 13, 14, 15
<i>MID SEMESTER BREAK (11 April - 22 April)</i>			
8	25 April	Public holidays on 25 th , no seminars this week	
9	2 May	Completing the audit and the auditor's report	Chapters 16 & 5
10	9 May	Professional ethics and conduct (Video: How to Detect and Prevent Financial Statement Fraud)	Chapter 2
11	16 May	Auditor's legal liability *Quiz two at the beginning of the seminar	Chapter 3
12	23 May	Other assurance engagements and quality standards	Chapter 17
13	30 May	Revision Exam period 6th--27th June	

SEMINAR QUESTIONS

All seminar questions are from the set text (Leung et al. *4e edition*).

Seminar questions will be provided at least one week before the seminar where the seminar questions are due and must be completed before the seminar. As the solutions will not be provided for these questions, it will be wise to participate in the discussions during the seminars and try to understand the questions as much as possible via the discussions. Any student encountering difficulties in understanding concepts should see a staff member in their consultation hours as soon as possible.