Unit Outline*

ACCT8522/ACCT8722

Principles of Auditing

Semester 2, 2011
Crawley

Ms Debbie Gilchrist

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the StudentNet web site http://www.business.uwa.edu.au/students
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UNIT DESCRIPTION

Introduction

Welcome to ACCT8522 Principles of Auditing. This unit is offered by the UWA Business School as an elective unit in the Masters of Professional Accounting. It is usually one of the final units taken by students as part of this award.

Auditing is an inter-disciplinary subject in that it draws upon your knowledge and understanding of company law, financial accounting, management accounting, accounting information systems and taxation. It is impossible to cover all of the areas in depth for a unit spanning 13 weeks but the course aims to lay a foundation for those students who will proceed to an audit working environment by enabling them to apply and build on the concepts learnt in this unit. Those students who do not wish to enter public practice will nevertheless gain an appreciation of the audit function and its important role in the business and assurance arena.

The unit will introduce students to the profession of auditing with emphasis on practical auditing concepts, the auditor’s decision-making processes and the appropriate audit procedures to be undertaken. The core theme of the course is the external audit of corporations, from initial planning to final reporting in the context of a professional environment.

Unit content

This unit examines the role of the auditor in the assurance marketplace, auditor’s rights, duties and responsibilities, auditing standards, audit planning, audit evidence, tests of controls, substantive testing and audit reporting.

The Goal of the unit

This unit will introduce you to the principles and practice of auditing. It is designed to give you knowledge of the theoretical concepts surrounding the audit function as well as an overview of the audit process. All the various stages of the auditing process are examined during the course of the semester with some of the more important processes examined in detail.

The objectives of ACCT8522 are to develop your understanding of various audit processes and to advance the analytical and decision making skills of students by applying auditing theory and concepts to practical problems. Your ability to do well in auditing depends on your ability to think laterally, rather than to memorise information. Strong emphasis is placed on your ability to communicate your views in a clear, concise and logical manner.

This unit contributes towards the master of Professional Accounting, which once satisfactorily completed, provides for accreditation by CPA Australia and the Institute of Chartered Accountants in Australia.
Learning outcomes

On successful completion of this unit, students should be able to:

- Understand the regulatory framework in which auditors operate;
- Evaluate the business risks of an audit client, assess the consequent risks of material misstatement, and develop the audit tests needed to obtain the evidence required to support an opinion on the company’s financial report;
- Determine the appropriate audit procedures to be used in specific scenarios and relate audit procedures to the concepts, audit assertions and professional standards of “risk-based” financial report auditing;
- Evaluate the quality of audit procedures performed;
- Determine the auditors responsibility for identifying and dealing with events occurring after balance date, and
- Identify the appropriate audit report for a given set of circumstances.

Educational Principles and Graduate Attributes

In this unit, you will be encouraged and facilitated to develop the ability to:

- Master the subject matter, concepts and techniques of auditing at internationally recognised levels and standards
- Acquire the skills required to learn, and to continue through life to learn, from a variety of sources and experiences
- Adapt acquired knowledge to new situations
- Undertake problem identification, analysis and solution
- Acquire mature judgement and responsibility in ethical, moral, social, and practical, as well as academic matters
- Think and reason logically and creatively
- To work independently and in a team

TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

The classes in this unit are interactive, in which you make a real contribution both by asking questions and providing relevant examples from your experience when appropriate. Our objective is to foster a learning environment where all students feel comfortable in asking questions when they require clarification about an issue or principle. In class, we use a combination of presentations and team-based work.

Teaching and learning evaluation

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

The use of team based learning and regular team based exercises follows feedback from students completing other units in the MPA and MBA programs.
Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process, therefore it is important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials’. Where a student, due to exceptional circumstances, is unable to attend a scheduled class, they are required to obtain prior approval of the unit coordinator to be absent from that class. Any student absent from class without having had such absence approved by the unit coordinator may be referred to the faculty for advice and may be required to withdraw from the unit.

CONTACT DETAILS

We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit Coordinator</th>
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</tr>
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<tbody>
<tr>
<td>Name</td>
<td>Deborah Gilchrist</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:deborah.gilchrist@uwa.edu.au">deborah.gilchrist@uwa.edu.au</a></td>
</tr>
<tr>
<td>Phone</td>
<td>6488 5839</td>
</tr>
<tr>
<td>Consultation hours</td>
<td>Wednesdays by appointment</td>
</tr>
<tr>
<td>Seminar times</td>
<td>Wednesday 5pm – 8pm</td>
</tr>
</tbody>
</table>
| Seminar venues   | Week 1 & 2 BUSN:101  
|                  | Week 3 to 13 BUSN:142 |

TEXTBOOK(S) & RESOURCES

Unit Website

The unit makes use of WebCT. You will have access to course materials, solutions to seminar preparation questions and a sample exam paper. To access these materials on WebCT, go to www.webct.uwa.edu.au and log on using your student number and Pheme password. The units in which you are enrolled which use WebCT will automatically appear under your name. If this is not the case please contact the Unit Coordinator.

Recommended/required text(s)

Required:
Ernst & Young, Cloud 9 Pty Ltd an audit case study, revised edition, 2011

Recommended:
CPA Australia or the Institute of Chartered Accountants, Auditing and Assurance Handbook 2010. Note that the standards can be downloaded from the following site: http://www.auasb.gov.au/Home.aspx
Additional resources & reading material

The following journals and newspapers are all very good references for current issues facing the auditing profession and users of accounting information and can all be found within the Business Library system (i.e., either in hard copy or electronically).

- In the Black (published by CPA Australia)
- Charter (published by the Institute of Chartered Accountants in Australia)
- Australian Accounting Review
- Accounting, Auditing & Accountability Journal
- Journal of Accounting, Auditing & Finance
- Accounting and Finance
- ABACUS

I encourage you to read widely of newspapers such the Australian Financial Review or the UK Financial Times. Using current business transactions and events reported in these newspapers is a good way to challenge your understanding of the concepts and learning outcomes that we address in this unit.

You can also review Course Materials Online on the Library Website for additional resources and reading material.

UNIT SCHEDULE

<table>
<thead>
<tr>
<th>Week No./Week beginning</th>
<th>Seminar Topic</th>
<th>Readings</th>
<th>Seminar Preparation Questions</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1 1 August</td>
<td>Assurance and auditing: an overview The structure of the profession</td>
<td>[GS] Chapter 1 ASA 200 and 700 [GS] Chapter 2 ASA 220 and APES 320</td>
<td>[GS] Qs 1.30, 1.36 2.21 and 2.27</td>
<td>Discussion of unit outline in Week 1</td>
</tr>
<tr>
<td>Week 2 8 August</td>
<td>Ethics, independence and corporate governance</td>
<td>[GS] Chapter 3 APES 110 and 320 ASA 102 and 200</td>
<td>[GS] Qs 3.20, 3.22, 3.29 and 3.34</td>
<td>RAT 1 – Chapters 1-3</td>
</tr>
<tr>
<td>Week 3 15 August</td>
<td>Overview of the audit process</td>
<td>[GS] Chapter 5 ASA 315, 330, 500 and 620</td>
<td>[GS] Qs 5.22, 5.24, 5.29 and 5.34</td>
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<tr>
<td>Week 4 22 August</td>
<td>Audit planning</td>
<td>[GS] Chapter 6 ASA 300, 315, 330 and 520</td>
<td>[GS] Qs 6.17, 6.22, 6.25 and 6.31</td>
<td>RAT 2 – Chapters 5 &amp; 6</td>
</tr>
<tr>
<td>Week 5 29 August</td>
<td>Assessing risks and materiality</td>
<td>[GS] Chapter 7 ASA 320, 330, 450 and 570</td>
<td>[GS] Qs 7.19, 7.23, 7.26 and 7.27</td>
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</tr>
<tr>
<td>Team exercise – Assignments 2 &amp; 3 from Cloud 9 Pty Ltd</td>
<td></td>
<td>Assignment 1 Cloud 9 Pty Ltd - complete before class</td>
<td>Assignments 2&amp;3 collected for marking</td>
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<tr>
<td>Week 6 5 September</td>
<td>Understanding and assessing internal control</td>
<td>[GS] Chapter 8 ASA 315, 405 and 610</td>
<td>[GS] Qs 8.18, 8.21, 8.24 and 8.30</td>
<td>Assignment 4 discussed in class</td>
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<tr>
<td>Team exercise – Assignment 5 from Cloud 9 Pty Ltd</td>
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<td>Assignment 4 Cloud 9 Pty Ltd - complete before class</td>
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</tbody>
</table>
| Week 7 | Tests of controls | [GS] Chapter 9  
ASA 315, 330 and 500 | [GS] Qs 9.12, 9.24, 9.26 and 9.29 |
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</thead>
<tbody>
<tr>
<td><strong>Team exercise</strong> – Assignments 6 &amp; 7 from Cloud 9 Pty Ltd</td>
<td></td>
<td></td>
<td>Assignments 5, 6 &amp; 7 collected</td>
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</tbody>
</table>
| Week 8 | Substantive testing of transactions and balances | [GS] Chapter 10  
ASA 501, 505, 520, 540, 560 and 620 AGS 1002 | [GS] Qs 10.20, 10.23, 10.26, 10.29, 10.30, 10.32, 10.34 and 10.37 |
| **STUDY BREAK 26th September to 2nd October** | | | |
| Week 9 | Substantive testing of transactions and balances (continued) | As above | As above |
| **Team exercise** – Assignments 8, 9 & 10 from Cloud 9 Pty Ltd | | | Assignments 8, 9 & 10 collected |
| Week 10 | Completion and review | [GS] Chapter 12  
ASA 450, 520, 550, 560, 570 and 580 | [GS] Qs 12.19, 12.21 and 12.29 and 12.31 |
| **Team exercise** – Assignments 11 Cloud 9 Pty Ltd | | | |
| Week 11 | The auditor’s reporting obligations | [GS] Chapter 13  
ASA 700, 705, 706 and 720 | [GS] Qs 13.21, 13.23, 13.27 and 13.33 |
| **Team exercise** – Assignments 12 Cloud 9 Pty Ltd | | | |
| Week 12 | Other assurance services | [GS] Chapters 14, 15 & 16 | RAT 3 – Chapters 12 - 16 |
| Week 13 | Course Review | | |
ASSESSMENT MECHANISM

The purpose of assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work provides you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

The Readiness Assurance Tests (RAT’s) are designed to assess your preparation and understanding of the learning outcomes listed for each topic. The team based learning approach adopted in completing the group case studies assists in developing the skills to work effectively in teams and appreciate the advantages of teams.

The final exam will assess knowledge of the learning outcomes in all topics.

Assessment mechanism summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
<th>Due date</th>
<th>Learning Outcome</th>
<th>Submission</th>
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<tbody>
<tr>
<td>Readiness Assurance Tests (RATs)</td>
<td>18%</td>
<td>RAT 1 Week 2</td>
<td>The RATs are held at the end of the lecture component of the seminar and will cover the following chapters: Chapters 1, 2 &amp; 3 Chapters 5 and 6 Chapters 12 to 16</td>
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<td></td>
<td></td>
<td>RAT 2 Week 4</td>
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<tr>
<td></td>
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<td>RAT 3 Week 12</td>
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<tr>
<td></td>
<td>(6% each - half for indiv &amp; half for team mark)</td>
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<tr>
<td>Team Assignments</td>
<td>10%</td>
<td>Week 5</td>
<td>Assignments are taken from the Cloud 9 Pty Ltd Audit Case Study book and cover topics up to the date they are collected. The assignments collected for marking are noted in the Unit Schedule Notes column.</td>
<td>In Class</td>
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<tr>
<td></td>
<td>10%</td>
<td>Week 7</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>12%</td>
<td>Week 9</td>
<td></td>
<td></td>
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<tr>
<td>Final Exam</td>
<td>50%</td>
<td>12–26 November</td>
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<td></td>
<td></td>
<td>Exam Period</td>
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Note 1: Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

Note 2: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.
Assessment components

Team Based Assessment

The lecturer will allocate students into teams of 3-5 and these teams will remain fixed for the trimester. Teams will be required to submit 3 team based exercise components during class time as noted on the Unit Schedule. Teams will also complete 3 readiness assurance tests (RATs). Marks allocated for these assessments are noted in the sections below.

Peer Feedback used to assess Team Contributions

The online tool SPARKPLUS will be used to assess individual contributions to team/group work. You will be required to provide feedback to, and receive feedback from, your team members. Based on a series of answers from each team member SPARKPLUS automatically produces two weighting factors: your SPA and SAPA.

SPA Factor

The SPA or Self and Peer Assessment factor is a measure of how the team overall viewed the contribution of each member to the team. *This factor may be used to adjust team marks into individual marks using the following formula:*

\[
\text{Individual mark} = \text{team mark} \times \text{individual's SPA}
\]

For example, a team assignment scores 80%. There are 3 students in the team.

Student 1 has a SPA factor of 0.9 reflecting a less than average contribution to the team and is awarded an individual mark of 80 \times 0.9 = 72%

Student 2 has a SPA factor of 1 reflecting an average contribution to the team and is awarded an individual mark of 80 \times 1 = 80%

Student 1 has a SPA factor of 1.1 reflecting an above average contribution to the team and is awarded an individual mark of 80 \times 1.1 = 88%

SAPA Factor

The second factor calculated is the SAPA factor. This is the ratio of a student's own self-assessment rating compared to the average rating of their contribution by their peers. It provides a student with feedback about how the rest of the team perceives the individual student's contribution.

For example, a SAPA factor greater than 1 means that a student has rated their own performance higher than they were rated by their peers. Conversely, a SAPA factor less than 1 means that a student has rated their own performance lower than they were rated by their peers.

Why are we using SPARKPLUS?

SPARKPLUS not only makes team work fairer but also encourages the development of professional skills. These skills include giving and receiving positive and negative feedback, resolving conflict, collaborating, assessing your work and the work of your peers, and developing your professional judgment. These are important graduate attributes which are part of the learning outcomes for your degree and are also important to employers. Full participation will enhance both your learning outcomes and your team experience.

How are we using SPARKPLUS?

All students are expected to fully participate in this task and required to submit valid assessments. Students who do not complete the task will automatically receive a SPA factor of 0.8. At all times the unit coordinator retains the right to exercise discretion in relation to application of the SPA factor to the final team mark for all team members. This discretion may be exercised particularly in situations where, in the opinion of the unit coordinator, a team member(s) has / have inadvertently or intentionally, misused SPARKPLUS.
Objections

Initially the released SPA and SAPA factors will be preliminary and only become official after any protests are considered. Any student believing their SPARK assessments were unfair may lodge an objection. Any objection to your assessment ratings must be made in writing. Each objection must be max of 500 words clearly outlining why you believe your rating is unfair. Your protest will be reviewed and may be discussed with the other members of your team. Objections must be lodged within 3 days from the date that the SPARK PLUS assessments are released.

The lodgement of an objection will be considered as a request for reassessment of the entire team. Hence if a student lodges an objection the marks for the entire team will be reassessed and released after the objection has been considered. In considering any objection the log books and or meeting minutes for a team will be reviewed.

Readiness assurance tests – RAT’s (18% of final mark)

There will be three (3) RAT’s over the duration of the unit. You will complete each RAT individually and will then discuss and prepare a team answer using RAT scratchies. Each RAT will consist of 10 multiple choice questions. There will be 10 minutes allowed for the individual RAT and another 10 minutes for group discussion. Marks are allocated half to the individual RAT attempt and half to the team RAT attempt. There will be no alternative time set to sit missed RAT’s.

Group Case Study / Team Assignments (32% of final mark)

Teams will be required to submit team based exercises during class time as noted on the Unit Schedule.

Final Exam (50% of final mark)

This exam will be 3 hours plus 10 minutes and will include questions on all Topics covered in Weeks 1-13. There will be multiple choice questions and essay/problem/case type questions. The exam is restricted book. You will be allowed to bring in a copy of the Auditing Standards.

To pass this unit, students are required to achieve a score of at least 45% in the final exam. Student’s who fail to achieve the minimum standard in the final exam but achieve an accumulated score based on all assessment components for the unit of 50 and above, will receive an FC grade.

Submission of assignments

Team exercises will be submitted in class.

Student Guild

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Facsimile: (+61 8) 6488 1041
E-mail: enquiries@guild.uwa.edu.au
Website: http://www.guild.uwa.edu.au

Charter of Student Rights and Responsibilities


Appeals against academic assessment

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status (refer http://www.secretariat.uwa.edu.au/home/policies/appeals).