



**BFA713**  
**AUDIT**  
**& ASSURANCE**  
**Semester Two 2006**

**School of Accounting and Corporate Governance**  
**Faculty of Business**

**Unit Outline**

**Helena Mitev**

# Contact details

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## **Unit description**

BFA713 Audit & Assurance is designed to introduce you to the key concepts of auditing as a discipline. The unit's broad aim is to provide you with knowledge and appreciation of the objectives and limitations of an audit, including an understanding of key auditing theories, practice, methods and the current environment in which auditors operate.

You will learn the key tools used by auditors for collecting and evaluating evidence, and the audit process (including professional auditing standards and techniques), by which the external company auditor, within the Australian professional and legal framework, is providing an opinion on the truth and fairness of financial reports of various types of entities. As such, the unit provides both a conceptual and practical approach, enabling you to gain a complete picture of the audit process in light of contemporary audit issues. In addition, you will enhance a number of generic graduate skills through both the formal components of assessment and class participation.

Prerequisites: This course builds on the knowledge acquired in prior units: BFA705 Financial and Corporate Accounting.

## **Learning outcomes**

On completion of this unit, you should be able to:

- LO 1)** Identify and discuss the phases of the overall audit process beginning with the planning, through the documentation, to the testing and reporting stages;
- LO 2)** Demonstrate a strong knowledge of auditing concepts, standards and procedures and the application of these to the conduct of an audit;
- LO 3)** Apply appropriate auditing techniques, and theory to practical audit situations and prepare various types of audit reports based on your judgement;
- LO 4)** Identify the effectiveness of internal control and discuss the auditing techniques applicable to manual and computerised accounting systems;
- LO 5)** Critically reflect from the auditor's perspective on current auditing litigation and ethical issues and the process of change in auditing practice.

## ***Generic graduate attributes***

The University has defined a set of generic graduate attributes (GGAs) that can be expected of all graduates. By undertaking this unit you should make progress in attaining the following attributes:

**A. Knowledge:** Develop a broad knowledge base of contemporary issues in auditing;

**B. Communication Skills:** Work individually and in groups on practical problem solving in auditing. Demonstrate a high level of written and oral communication skills. Present, discuss and defend views through logical, rational and persuasive argument and critically assess the opinions of others.

**C. Problem-solving Skills:** Apply analytical and critical thinking processes to make judgments and decisions in auditing

**D. Global Perspective:** Demonstrate an awareness of the local and global context of auditing by applying the Auditing Standards and concepts to a number of case studies;

**E. Social Responsibility:** Acknowledge the impact of the ethical standards of the profession social change and the social consequences of government policy on auditing.

## **Prior knowledge and skills**

Prerequisites: This course builds on the knowledge acquired in prior units: BFA705 Financial and Corporate Accounting.

## **Learning resources required**

### ***Requisite texts***

The prescribed texts that will contain the required reading material are:

1. CPA Australia 2006, *Auditing and Assurance Handbook 2006*, Pearson/Prentice Hall, Sydney (or earlier edition).
2. Arens, A.A., Best, P.J., Shailer, G.E., Fiedler, B.A., Elder, R. and Beasley M., 2005, *Auditing in Australia - An Integrated Approach*, 6th edn, Pearson/Prentice Hall, Sydney.

Additional readings will be available on WebCT-Vista.

## **Recommended reading**

These additional texts are not prescribed reading but you may find the most recent editions useful for enrichment or clarification.

Gay & Simnett 2005, ***Auditing & Assurance Services in Australia*** (3<sup>rd</sup> ed), McGraw-Hill, Sydney

Gill et al 2001, *Modern Auditing and Assurance Services*, 6<sup>th</sup> ed., Wiley, Sydney.

Leung, P., & Coram, P., Cooper B., Cosserat, G, Gill, G.S 2004 *Modern Auditing and Assurance Services* (2<sup>th</sup> ed), Wiley, Queensland.

Schelluch, P., Topple S., Jubb S., Rittenberg L.& Schweiger B.2004 *Assurance & Auditing*, Thompson Learning, Victoria.

## **Other items**

You are expected to read beyond the textbooks, especially for your assignments. Many useful articles concerned with auditing that appear in the financial press and the journals of the accounting bodies can be found in the University Library, and electronically.

### **E- (electronic) resources**

The following web-sites could be useful:

Text-book resources:

[www.mhhe.com/au/gay3e](http://www.mhhe.com/au/gay3e)

The Auditor General's Office:

[www.audit.act.gov.au](http://www.audit.act.gov.au)

CPA Australia

[www.capaustralia.com.au](http://www.capaustralia.com.au)

The Institute of Chartered Accountants in Australia

[www.icaa.org.au](http://www.icaa.org.au)

## WebCT Vista

On WebCT Vista you will find all the materials for this unit. It contains the Unit Information, Learning Resources and Communication. All lecture notes, past exam papers; assessment results and additional readings will be placed on WebCT Vista.

You are encouraged to participate in student discussions.

To access WebCT Vista from your own computer you will need the appropriate software, and hardware to run that software. See **Learning Online** at <http://www.utas.edu.au/coursesonline/software.htm> for computer software you will need.

**Note:** Older computers may not have the hardware to run some of the required software applications. Contact your local IT support person or the Service Desk on 1818 if you experience difficulties.

See <http://www.utas.edu.au/courseonline> for further information about accessing WebCT Vista.

## Details of teaching arrangements

BFA713 Auditing consists of a **three-hour seminar** per week and follows the syllabus schedule.

### **Lectures**

Formal lecture sessions run for around 2 hours and will be conducted each week, except for the independent study week.

The lecture will consist of theoretical coverage of auditing topics, standards and concepts and the application of appropriate techniques to practical auditing examples. This strategy exposes students to all aspects of the conduct of an audit and associated auditing issues. Attendance at ALL classes is strongly encouraged as additional information such as emphasis and explanations will inevitably be given there.

As a post-graduate student you are presumed to have a high degree of competency at self-directed learning.

### **Tutorials**

Tutorials lagging behind lectures by one week (no tutorial in week One) will run for 50 minutes. They are designed to reinforce your comprehension of the theoretical and practical aspects of auditing.

Additionally, tutorials will give you a good opportunity to assess your problem-solving skills and actively contribute to class discussion. The work is challenging, but valuable.

## **Learning expectations and strategies**

### *Expectations*

The University is committed to high standards of professional conduct in all activities, and holds its commitment and responsibilities to its students as being of paramount importance. Likewise, it holds expectations about the responsibilities students have as they pursue their studies within the special environment the University offers.

The University's Code of Conduct for Teaching and Learning states:

*Students are expected to participate actively and positively in the teaching/learning environment. They must attend classes when and as required, strive to maintain steady progress within the subject or unit framework, comply with workload expectations, and submit required work on time.*

This is a demanding unit, intended to introduce you to new complex concepts in auditing. Therefore, you are expected to take responsibility for your own learning and demonstrate high quality standards in all aspects of your work.

### ***Your Expectations of the Unit***

You may reasonably expect the following:

1. To be able to contact your lecturer in person or by electronic mail, to raise issues arising in the unit, either relating to content or student performance within the unit;
2. Subject to availability, to be able to seek help and discuss your concerns in person with your lecturer;
3. That assignments will be marked and the marks will be returned within 2 weeks of due dates;
4. That all relevant announcements regarding the administration of the unit, including any necessary changes, will be communicated to you via WebCT Vista.

### ***Learning strategies***

The teaching format will consist of lecture material, tutorials, case-studies assignments, student presentations, research, and group discussions. The process of learning in this unit includes collaborative activities, goal-driven

tasks, activities that stimulate critical thinking and provide practice in learning skills.

You are encouraged to contribute ideas during group-discussion and on WebCT Vista to make your learning process as creative as the subject matter.

If you need assistance in preparing for study please refer to your lecturer.  
For additional information refer to the Learning Development website :  
<http://www.utas.edu.au/learndev/>

### **Specific attendance/performance requirements**

Attendance at ALL classes is strongly encouraged as you will need to achieve an overall mark of at least 50% to pass this unit. In addition, you should satisfactorily complete all components of assessment, especially the final exam.

### **Assessment**

The assessment in this unit aims to support your achievement of the learning objectives. You are expected to retain a copy of your assignment.

### **Assessment schedule**

<b>Task</b>	<b>Method of Assessment</b>	<b>Due Date</b>	<b>Weight</b>
1	Mid Semester Class Test	Week 5 14 August	10%
2	Seminar presentation	Negotiable	10%
3	Assignment	Week 10 25 September	20%
4	End of semester exam	Exam Period	60%
	Overall assessment	Total	100%

### Assessment details

<b>Assessment task 1: Mid semester test worth 10%</b>	
<b>Task description/ Purpose</b>	Demonstration of learning of conceptual material. To determine your knowledge of key concepts and issues raised throughout the first 4 weeks of the semester. Approximately 30 multiple-choice questions and 2 short answer questions. Includes both practical and theoretical questions, lecture and tutorial materials and all applicable auditing pronouncements will be examinable. Closed book.
<b>Task length</b>	50 min (including reading time)
<b>Links to unit's learning outcomes &amp; Generic graduate attributes</b>	1,2,5, A, B, C
<b>Assessment criteria / guidelines</b>	<ul style="list-style-type: none"> <li>• Accuracy of submitted answers;</li> <li>• Knowledge and appreciation of key auditing principles, concepts and practices; and</li> <li>• Logical construction and persuasiveness of arguments as related to the application of key auditing principles, concepts and practices.</li> </ul>
<b>Date due</b>	<b>Week 5, 14 August</b>

<b>Assessment task 2: Student presentation worth 10% of final assessment</b>	
<b>Task description</b>	You will be required to present to your group either answers to the assigned tutorial questions / case studies or a critique of an article on a topic to be negotiated with your lecturer. A brief printed summary of your presentations is to be handed to your lecturer. You should be prepared to answer questions from your colleagues.
<b>Task length</b>	No longer than 10 min presentation, no more than a 2 page summary
<b>Links to unit's learning outcomes &amp; Generic graduate attributes</b>	1,2,3,4,5 A, B, C, D, E
<b>Assessment criteria / guidelines</b>	You will be given one week's notice to present to your group, your suggested solutions to some of the week's tutorial questions, a case study, or journal article negotiated with your tutor one week in the semester. A mark out of 5% will be awarded for the accuracy of your answers. Additionally, a mark out of 5% will be awarded by your peers for your ability to generate acceptance of your findings.
<b>Date due</b>	TBA Negotiable

<b>Assessment task 3: Assignment worth 20%</b>	
<b>Task description</b>	<p>The assignment aims to reinforce relevant aspects of learned material. You will be required to undertake research and write an essay, either individually or in groups of two on preliminary planning and risk assessment for a chosen company as an auditor.</p> <p>Both, electronic and hard copy of the paper are required</p> <p>Refer p.15 of the Unit Outline for further information</p>
<b>Task length</b>	3000-3500 words approximately
<b>Links to unit's learning outcomes &amp; Generic graduate attributes</b>	2, 5, A, B, C, D, E
<b>Assessment criteria / guidelines</b>	<ul style="list-style-type: none"> <li>• Relevance and comprehension of material - Efficiency and effectiveness of your search</li> <li>• Quality of discussion and persuasiveness of arguments as related to the application of key auditing principles, concepts and practices.</li> <li>• Quality of the preliminary risk assessment</li> <li>• Comprehensiveness, appropriateness and specificity of further work plans</li> <li>• Quality of substantive testing recommendations</li> </ul>
<b>Date due</b>	<b>2 PM, 25 September (Week 10)</b>

<b>Final exam: 60%</b>	
<b>Description / conditions</b>	<p>The purpose of the final examination is to assess whether you have met the outlined objectives of the subject, specifically, the <i>prescribed learning objectives</i> of each examinable topic and materials covered in Weeks 1 to 13 inclusive.</p> <p>Details of the format of this exam will be provided in week 13.</p> <p>The exam is a <b>restricted book</b> type. You will be permitted to bring an unannotated copy of the Auditing Standards and non-programmable calculator.</p> <p>Duration: 3 hours</p>
<b>Date</b>	<b><i>The final exam is conducted by the University Registrar in the formal examination period. See the Current Students homepage (Examinations and Results) on the University's website.</i></b>

## How your final result is determined

Final grading is based on the achievement of a satisfactory grade in each assessable component. It is expected that **all** components of the assessment will be completed to a satisfactory standard.

## Standardisation

In order to maintain the high reputation of the School of Accounting and Corporate Governance in the wider community – educationally, academically and by business - the School does not standardise student results. Rather, the School expects high standards of their students, and insists that students devote sufficient time and effort to their studies throughout the semester to achieve grades of pass or higher on merit.

## Submission of assignments

Assignments should be submitted in accordance with the **Guide for Students** issued by the Faculty of Business <http://www.utas.edu.au/accg/studentres.htm>. Signed assignment coversheets must be used for all assignments and these are available at the same website. Assignments without a *signed* coversheet *will not be marked*. Assignments are to be submitted via the assignment box, Level 5, Commerce Building, Hobart campus.

Your assignments are to be submitted by the specified dates and times (if given), unless prior approval has been granted via an assignment extension form. Assignments will be marked after all have been submitted, and returned to you with comments and grades awarded within two weeks of the specified submission date.

As the University reserves the right to submit assignments to plagiarism detection software, you need to submit the main assignment, worth 20% in hard and electronic copy.

## Requests for extensions

Consistent with the Faculty's policy on late submission, extensions of time will only be granted on medical or compassionate grounds. All extensions must be applied through the unit coordinator in writing on the School's Application of Extension Form before the due date of the assignment. Medical certificates or other evidence, which supports the application, must be attached and must contain information that justifies the extension sought. Any extension granted will have a new submission due date and time.

## Penalties

### ***Late Submission***

Late assignments for which an extension has not been granted will be penalised by a deduction of 10 per cent of marks for each day the assignment is late.

### ***Overlength work***

If a word limit has been set, any assignment exceeding the word limit will not be assessed. Overlength assignments will be returned to students for resubmission and must be resubmitted within 48 hours of being returned. A penalty of 20% will be automatically deducted from the resubmitted assignment.

## Academic referencing

In your written work you will need to support your ideas by referring to scholarly literature, works of art and/or inventions. It is important that you understand how to correctly refer to the work of others and maintain academic integrity.

Failure to appropriately acknowledge the ideas of others constitutes academic dishonesty (plagiarism), a matter considered by the University of Tasmania as a serious offence.

The appropriate referencing style for this unit is the **Harvard Referencing** (refer to Faculty Guide for Students).

For information on presentation of assignments, including referencing styles:

<http://www.utas.edu.au/library/assist/gpoa/gpoa.html>

Please read the following statement on plagiarism. Should you require clarification please see your unit coordinator.

## Plagiarism

While you are encouraged to discuss the assignments in this unit and to engage in active learning from each other, it is important that you are also aware of the University's policy on plagiarism.

Plagiarism is a form of cheating. It is taking and using someone else's thoughts, writings or inventions and representing them as your own; for example, using an author's words without putting them in quotation marks and citing the source, using an author's ideas without proper acknowledgment and citation, copying another student's work.

If you have any doubts about how to refer to the work of others in your assignments, please consult your lecturer or tutor for relevant referencing guidelines, and the academic integrity resources on the web at

<http://www.utas.edu.au/tl/supporting/academicintegrity/index.html>.

The intentional copying of someone else's work as one's own is a serious offence punishable by penalties that may range from a fine or deduction/cancellation of marks and, in the most serious of cases, to exclusion from a unit, a course or the

University. Details of penalties that can be imposed are available in the Ordinance of Student Discipline – Part 3 Academic Misconduct, see <http://www.utas.edu.au/universitycouncil/legislation/>

**The University reserves the right to submit assignments to plagiarism detection software, and might then retain a copy of the assignment on its database for the purpose of future plagiarism checking.**

For further information on this statement and general referencing guidelines, see <http://www.utas.edu.au/plagiarism/> or follow the link under 'Policy, Procedures and Feedback' on the **Current Students** homepage.

### **Further information and assistance**

If you are experiencing difficulties with your studies or assignments, have personal or life planning issues, disability or illness which may affect your course of study, you are advised to raise these with your lecturer in the first instance.

There is a range of University-wide support services available to you including Teaching & Learning, Student Services, and International Services. Please refer to the **Current Students** homepage at: <http://www.utas.edu.au/students/>

Should you require assistance in accessing the Library visit their website for more information at <http://www.utas.edu.au/library/>

### **Getting assistance and resolving concerns about this unit**

If you are experiencing difficulties related to your study or assignment of this unit you are encouraged to contact your lecturer in the first instance as early as possible.

### **Help resolving concerns about this unit**

If you have any concerns in relation to this unit, then in the first instance you should discuss the matter with your lecturer. However, if you do not feel comfortable approaching your lecturer, or if you have a discussion with your lecturer and are not satisfied with the outcome, then you are encouraged to contact one of the Ombudspople, who also teach in the School of Accounting & Corporate Governance

Ms Simone Bingham  
Room: 421, Commerce Building, Hobart  
Telephone: (+61 3) 6226 2314  
E-mail: [Simone.Bingham@utas.edu.au](mailto:Simone.Bingham@utas.edu.au)

Mr David Moore  
Room: A259 Launceston  
Telephone: (+61 3) 6324 3558  
E-mail: [David.Moore@utas.edu.au](mailto:David.Moore@utas.edu.au)

Discussions with Simone or David will be kept in the strictest confidence. If you wish to pursue the matter further, they will provide advice as to how this can be done. The University also has formal policies, which can be accessed at: [http://www.admin.utas.edu.au/ac\\_serv/complaints\\_info.html](http://www.admin.utas.edu.au/ac_serv/complaints_info.html)

## **Student services**

If you are experiencing difficulties in your studies, have personal or life planning issues, disability or illness which may affect your course of study, you are advised to contact your lecturer and/or one of the following Student Services staff as soon as possible: International Services (assistance available for international students), Learning Skills Adviser, Student Counsellor, Career Adviser and Disability Adviser.

## **University and Faculty Equity Plans**

Goal 1 of the University of Tasmania Equity Plan provides for: “An inclusive teaching and learning environment that values diversity, supports the pursuit of academic excellence and produces high quality education and employment results for all students and staff”. The Faculty of Business Equity Plan facilitates the University Plan at an operational level and has developed an ‘Action Plan’. The Action Plan for Goal 1 lays down procedures to ensure that all students, including those with disabilities, have equal access to lecture and course materials. The School of Accounting & Corporate Governance complies with these procedures.

## Lecture and tutorial schedule

Week	Starting Monday	Lecture topic	Tutorial Task	Notes	
1	17 July	<i>Topic One:</i> Auditing and Assurance services- an overview	No tutorial		
2	24 July	<i>Topic Two:</i> Regulatory and professional influences on audit practice	Topic 1 Review Questions Discussion Problems & CS		
3	31 July	<i>Topic Three:</i> Common law and legal liability	Topic 2 Review Questions Discussion Problems & CS		
4	7 August	<i>Topic Four:</i> Audit risk and audit evidence	Topic 3 Review Questions Discussion Problems & CS		
5	14 August	<i>Topic Five:</i> Audit acceptance and Planning decisions	Topic 4 Review Questions Discussion Problems & CS	Test Topic 1-4	
6	21 August	<i>Topic Six:</i> Control risk and tests of controls	Topic 5 Review Questions Discussion Problems & CS		
7	28 August	<i>Topic Seven:</i> Audit sampling	Topic 6 Review Questions Discussion Problems & CS		
	4 -8 September	<b>MID SEMESTER BREAK</b> <b>4 to 8 September</b>			
8	11 September	<i>Topic Eight:</i> Detection risk and substantive testing	Topic 7 Review Questions Discussion Problems & CS		
9	18 September	<b>INDEPENDENT STUDY WEEK</b> <i>(no lectures or tutorials)</i>			
10	25 September	<i>Topic Nine:</i> Auditing the sales and Receivables	Topic 8 Review Questions Discussion Problems & CS	Assignment due	
11	2 October 2006	<i>Topic Ten:</i> Audit of expenditure, Inventory and cash balances	Topic 9 Review Questions Discussion Problems & CS		
12	9 October 2006	<i>Topic Eleven:</i> Completion, review and reporting. Internal and government auditing.	Topic 10 Review Questions Discussion Problems & CS		
13	16 October 2006	<i>Topic Eleven</i> continued Review	Topic 11 Review Questions Discussion Problems & CS		
		Study break – Swat Vac 23 28 Oct- Exam period 30 Oct – 14 Nov			

CS = case study

Note: students are strongly encouraged to attempt ALL review and multiple choice questions (RQ) appearing in each chapter. as part of their revision of the topic

## **ASSIGNMENT**

**worth 20% of subject assessment**

### **DUE DATE:**

The assignment must be submitted by 2 pm. Monday 25<sup>th</sup> September 2006 (Week 10).

### **OBJECTIVES:**

The broad objective of this component is to enable students to enhance your research, analytical, and written communications skills to an academic level.

### **SUBMISSION BASIS:**

Individual or in groups of up to three members.

*Group submissions are strongly encouraged because students are likely to gain from discussion of the issues. Individual submissions are acceptable but students should note that they will be assessed on exactly the same basis as group submissions.*

**Word Limit:** 2,500 – 3,000 words (1.5 line spacing, 12 font size in Times New Roman, single sided, 2.5 cm margins, pages numbered). Assignment must indicate actual number of text words (excluding footnotes, headings, tables, appendices and references).

**Penalties** may be given to assignments that are not within the word limit range specified.

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## **DO AUDITING AND OTHER ASSURANCE SERVICES HAVE A FUTURE?**

### **Required:**

**"Discuss the implications for auditor' independence of the recent corporate collapses such as Enron, HIH, One.Tel".**

### **Useful starting points:**

Newspaper and journal articles

Internet

**Presentation:** This assignment must conform with the requirements set out in the Faculty's Guide for Students. You should review the Section on "Presentation and Submission of Assignments" before starting this assignment. The Faculty Guide can be found at the unit's WebCT site or at: <http://www.utas.edu.au/accg/students.htm>

For assignments that are **properly presented**, the **assessment criteria** will be:

- (i) *Evidence of relevant quality research and a demonstrated understanding of research materials;*
- (ii) The structure, logic and persuasiveness of arguments presented as based on the research materials;
- (iii) Demonstrated understanding of the subject matter that is the focus of the assignment; and
- (iv) The quality of presentation beyond the “threshold requirements”.

The assignment must be the work of the individual(s) concerned. As per the *Faculty Guide* **plagiarism will not be tolerated**.

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## **ASSIGNMENT MARKING GUIDE**

The following details are designed to provide some guidance as to the assignment marking.

Proper presentation, grammar, spelling, etc.	/10
Report content-overall quality	
Theoretical issues	/25
Practical issues	/25
Extent to which treatment informed by research (see “assessment criteria” below)	/40
<b>TOTAL</b>	<b>/100</b>

