



Course Outline

Accounting and Finance
School of Business & Economics

ACCT 4230 - **3.00** - Academic

Assurance

Rationale

Annual update of standard course outlines in SOBE.

Course description and requisites changed

Calendar Description

Students will learn to gather and evaluate audit evidence related to company financial statements. The goal is to provide assurance that the financial statements fairly present the financial performance and position of the organization being audited. Risk assessment techniques available to auditors and possible responses to those risks will be examined. Topics include an introduction to auditing and the public accounting profession; the audit process; professional relationships and legal liability; materiality and risk; audit evidence, evidence mix and audit strategy; the audit of internal controls, control risk and corporate governance; audit sampling; application of the audit process and auditor reporting.

Credits/Hours

Course Has Variable Hours: No

Credits: 3.00

Lecture Hours: 3.00

Seminar Hours: 0

Lab Hours: 0

Other Hours: 0

Clarify:

Total Hours: 3.00

Delivery Methods: (Face to Face)

Impact on Courses/Programs/Departments: Not applicable

Repeat Types: A - Once for credit (default)

Grading Methods: (S - Academic, Career Tech, UPrep)

Educational Objectives/Outcomes

1. Discuss the role of financial statement auditing and the structure and regulatory framework for auditing in Canada according to Canadian Audit Standards (CAS).
2. Describe the audit report and explain conditions for qualifications in the audit report.
3. Identify the stages of the audit process and the major activities undertaken at each stage.

4. Assess professional ethics and legal liability with respect to the audit function.
5. Explain how materiality and various risk assessments impact the audit program.
6. Analyze internal controls and determine audit procedures to test controls.
7. Utilize sampling techniques to select sample sizes, items and to analyze sampling results in an audit.
8. Apply appropriate audit activities to audit the sales and collections cycle, cash balances, the human resources and payroll cycle, the acquisition and payment cycle, the inventory and distribution cycle and the capital acquisition and repayment cycle.
9. Describe other assurance and non-assurance engagements undertaken by public accountants and audit activities that are carried out by government and internal auditors.

Prerequisites

ACCT 3210-Intermediate Financial Accounting 2 or equivalent with a minimum C-

Co-Requisites

Recommended Requisites

Exclusion Requisites

ACCT 4231-Assurance

BBUS 4230-Assurance

BBUS 4231-Assurance

Texts/Materials

Textbooks

1. **Required** Arens, Elder, Beasley, Splettoesser-Hogeterp. *Auditing: The Art of Science of Assurance Engagements*, 12th Canadian ed. Pearson Canada, 2013

Student Evaluation

The Course grade is based on the following course evaluations.

Midterm(s) 30-50%

Assignments and quizzes 10-30%

Final exam 30-50%

Students must pass the final exam to pass the course.

Course Topics

1. Introduction to Auditing and the Public Accounting Profession
 - Define and explain auditing
 - Distinguish auditing from accounting
 - Demand for audit services and factors that affect demand
 - Types of auditors and audits
 - GAAS – generally accepted audit standards definitions
 - Quality control standards

2. Audit Process

- The objective of conducting an audit of financial statements
 - Auditor and Management responsibilities relating to financial statements
 - Relationship between financial statements, management assertions, audit objectives and procedures
- Major phases of the audit process
- Major phases of the audit process
 - Basic elements of audit reporting

3. Professional Relationships and Legal Liability

- Define ethics and its importance in auditing
 - Understand six fundamental statements of accepted conduct
 - Discuss the public accounting profession's response to legal liability
 - Understand independence in the context of auditing
 - Understand advertising and client solicitation protocols in public accounting firms
 - Define association with information and the responsibilities a public accountant
 - Auditor's responsibilities with respect to errors, fraud and other irregularities
 - Distinguish between a business failure and an audit failure
 - Define the auditor's liability to third parties under common law
- Corporate regulations and the impact of Sarbanes Oxley and Bill 198 on the audit profession

4. Materiality and Risk

- Understand the relationship between materiality, risk and audit evidence
- Define materiality and the bases on which it is determined
- Define business risk and how it relates to audit risk
- Role of specialists
- Client risk profile process
 - Gathering of associated evidence
 - Develop and apply analytical review

5. Audit Evidence, Evidence Mix and Audit Strategy

- Identify the various types of working papers & their purposes
- Understand the factors involved in the audit evidence decision making process
- Evaluate the quality of evidence
- Understand the relationship between analytical procedures, test of controls and test of procedures
- Understand how to develop an audit strategy that is efficient, effective and appropriate

6. Internal Controls, Control Risk and Corporate Governance

- Importance of internal control for the auditor and management and impact on client risk profile
 - Four major components of internal control
 - Link internal control to audit objectives and procedures
 - Identify the components of the control environment
 - Assess control risk
 - Define the relationship between corporate governance strategies and risk management
- Purpose and role of management representation letter

7. Audit Sampling

- Define sampling and its importance in auditing
- Explain the concept of representative sampling
- Understand the differences between statistical and non-statistical sampling and the advantages and disadvantages of each sampling method
- Describe the steps in planning, selecting and evaluating an audit sample
- Identify the steps to properly conduct attribute sampling

8. Application of the Audit Process

- Apply practical auditing techniques to all accounting cycles including: the sales and collections cycle, cash balances, the human resources and payroll cycle, the acquisition and payment cycle, the inventory and distribution cycle and the capital acquisition and repayment cycle. Identify and define the typical records and transactions within each cycle
- Define the appropriate analytical procedures within each cycle
- Understand the relationship between overall planning risks and specific individual cycle risks
- Explain the various processes for specific test(s) of controls and test(s) of details
- Compare negative versus positive confirmations from third parties
- Discuss the process for confirming third party confirmations and follow up procedures
- Explain the appropriate usage of physical observation techniques and pricing/compilation audit tests for inventory cycles
- Understand the relationships among testing of various cycles

9. Completing the audit, reporting and offering other services

- Understand final audit procedures
- Analyze subsequent events testing
- Review legal confirmation examples and interpret varied responses to legal enquiries
- Prepare and interpret standard unqualified auditor's reports
- Prepare and interpret qualified, adverse or disclaimer of opinion auditor's reports
- Interpret review engagement reports and the notice to reader reports prepared for compilation engagements.

Methods for Prior Learning Assessment and Recognition

As per TRU Policy

Last Action Taken

Implement by Submission Preview Subcommittee Chair Joanne (Retired) Moores

Current Date: 27-Oct-20