

Course Outline

Department of Accounting and Finance
School of Business and Economics

ACCT 4230-3
Assurance (3,0,0)

Calendar Description

Students evaluate the accuracy of an organization's financial statements using quantitative and non-quantitative techniques to determine if there is a reasonable assurance that the information provided is free from material error. Topics include an introduction to auditing and the public accounting profession; audit process; professional relationships and legal liability; materiality and risk; internal controls, control risk and corporate governance; audit evidence, evidence mix and audit strategy; audit sampling; and application of the audit process. Instruction is based on Generally Accepted Auditing Standards (GAAS).

Educational Objectives/Outcomes

Upon completing this course, students will be able to:

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 of sales, accounts receivable, inventory, and the acquisition and payable cycles.
9. Describe other assurance engagements undertaken by public accountants and audit activities carried out by government and internal auditors.

Prerequisites

ACCT 3210

Co-requisites

None

Texts/Materials

Student Evaluation

Midterm(s)	30-40%
Assignments and quizzes	30-40%
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 what auditing is
 - 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
 - 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. 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

6. 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

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

- Sales, accounts receivable, inventory and warehousing, acquisition and accounts payable cycles
- Identify and define the typical records and transactions
- Define the appropriate analytical procedures
- 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

Methods for Prior Learning Assessment and Recognition

As per TRU policy

Attendance Requirements – Include if different from TRU Policy

As per TRU policy

Special Course Activities – Optional

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Use of Technology – Optional

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