



The University of Hong Kong

Faculty of Business and Economics

ACCT3109/BUSI0006 (G - J)

Auditing

Spring Semester, 2016/17

Course Syllabus

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COURSE DESCRIPTIONS

This course examines the role of the external auditor on financial statement reporting and the needs for external auditing in the commercial sector. Assurance services other than auditing will also be discussed and examined. By the end of the course, students should be able to gather enough knowledge on the nature of the auditing profession to decide whether they wish to embark on a public accounting career.

Textbooks reference:

1. Karla M. Johnstone, Audrey A. Gramling and Larry E. Rittenberg. 2016. *Auditing: A Risk-Based Approach to Conducting a Quality Audit*, 10th Edition, South-Western Cengage Learning;
2. *Code of Ethics for Professional Accountants (COE)* issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

Pre-requisite:

BUSI0020 Intermediate Accounting II/ACCT3103 Intermediate Financial Accounting II

COURSE OBJECTIVES

1. Provide students with basic concepts of auditing theory, concepts, methodology and practice;
2. Provide students with the capability to apply knowledge in gathering audit evidence and in evaluating the financial statement assertions;
3. Inculcate professional judgment in various auditing and ethical scenarios;
4. Develop students' communication skills.

INTENDED LEARNING OUTCOMES (ILOs)

On completion of the course, students will be able to:

- ILO1. Describe and explain the financial statement auditing process;
- ILO2. Use relevant information for making decisions of client acceptance, risk assessment, as well as extent of audit work;
- ILO3. Apply Code of Ethics for Professional Accountants to resolve an ethical situation;
- ILO4. Demonstrate effective verbal and writing communication skills.

ALIGNMENT OF PROGRAM AND COURSE ILOs

Program ILOs	Course ILOs
1. Acquisition and internalization of knowledge of accounting, business and economics	ILOs 1 & 2
2. Application and integration of knowledge	ILOs 2, 3 & 4
3. Inculcating professionalism and leadership	ILOs 2 & 3
4. Mastering communication skills	ILO 4

TEACHING AND LEARNING ACTIVITIES (TLAs)

TLA1. Situation: Lectures and in-class exercises, discussions & quizzes

- Lectures: basic knowledge and concept of auditing is presented with PowerPoint slides.
- In-class exercises: basic concepts and techniques are illustrated using examples. Students work through in-class exercises along with the lecturer. These exercises help students follow the lectures closely and actively.
- In-class discussions: students are encouraged to raise questions, participate in discussions and share opinions with their peers. These discussions encourage students to think more for certain arguable topics.
- In-class quizzes: students are required to complete 2 in-class quizzes in the semester. These quizzes assist students to better understand the learning objectives of each topic and to ensure they have grasped the necessary concepts and theories of auditing.

Major focus: ILOs 1, 2, 3 and 4.

TLA2. Situation: Tutorials

- Weekly tutorial assignments: students are required to complete assigned homework before each tutorial session on an individual basis.
- In-class interactive activities: students are required to interact with the tutorial instructor, and participate in the in-class exercises and discussions actively.

Major focus: ILOs 1, 2, 3 and 4.

TLA3. Situation: Group presentations and outside-classroom activities

- Group presentations: students are expected to perform at least one group presentation in the semester. Each group should have 4 – 5 students. Students will complete an assigned cases analysis and deliver group presentation in the small group lecture. Once the topic is assigned, each group should work as a team and contribute jointly to discuss and analyze the topic, assign responsibility for the topic and present the topic and manage Q&A session in class.
- Outside-classroom activities: the lecturer will provide consultation to address students' questions and doubts related to the course on appointment basis.

Major focus: ILOs 2, 3 and 4.

ESTIMATED STUDY LOAD

Course Teaching and Learning Activities	Expected Contact hours	Study Load (%)
TLA1. Interactive lectures	32	26.67%
TLA2. Tutorials	11	9.17%
TLA3. Group presentation	30	25.00%
Self study	47	39.16%
Total	120	100.00%

ASSESSMENT TASKS/ACTIVITIES (ATs)

Assignments and tutorial in-class participation	10%
Group presentation	15%
In-class quizzes	10%
Mid-Term examination	25%
Final examination	40%
<u>Total</u>	<u>100%</u>

AT1. Assignments and tutorial in-class participation (10%)

Students are expected to attend and participate actively in tutorials. Being absent from class will negatively affect students' participation performance. Each student will be appraised by the tutor individually. Written assignments and exercises will be assigned for each topic to assess the students' ability to comprehend the concepts discussed during lectures. Students are also required to attempt selected assignments before commencement of the tutorials. Part of the coursework assessment will be allocated to individual performance in the class discussions of the homework assignments. Participation and assignments are evaluated per student by the tutorial instructor. The objective of the tutorials is to help students digest and apply the knowledge they have learned from the classes.

Grading Criteria

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILO 1, 2, 3 and 4.	Extremely well prepared for class discussion, active in sharing views and attended at least 90% of classes. Submitted all homework with 90% accuracy.	Partially prepared for class discussion, quite active in sharing views and attended at least 80% of classes. Submitted at least 80% of homework with 80% accuracy.	Not well prepared for class discussion, limited active in sharing views and attended at least 70% of classes. Submitted at least 70% of homework with 70% accuracy.	Not well prepared for class discussion, no sharing of views and attended at least 60% of classes. Submitted at least 60% of homework with 60% accuracy.	Never prepared for class discussion and no sharing of views and experience and attend less than 60% of classes. Submitted less than 60% of homework with less than 60% accuracy.

AT2. Group Presentation (15%)

A number of formal group presentations will be scheduled throughout the semester. Each group should consist of **THREE TO FOUR** students. Each group of students is required to deliver a formal presentation of 25 to 30 minutes on the assigned case, plus Q&A session. Each group is required to submit the case report of **FIVE** pages after the presentation.

The group presentation will be evaluated based on the following five criteria: 1) presentation style; 2) the use of presentation/ visual aids; 3) the contents and organizations; 4) the extent of research and 5) the quality of interaction at the Q&A sessions. A feedback meeting with the lecturer will be scheduled in the subsequent class following each presentation.

Grading Criteria

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILOs 2, 3 and 4.	Very Good to excellent ratings on some or all five criteria.	Good to very good ratings on some or all five criteria.	Fair to good ratings on some or all five criteria.	Fair ratings on all five criteria.	Fail to prepare and present the case.

AT3. In-class Quizzes (10%)

Two *closed book* quizzes consist of multiple-choices questions will be offered to gauge students' understanding of the auditing principles on a continuous basis and to test students' problem solving skills.

Grading Criteria

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILOs 1, 2 and 3.	Scored correctly on more than 90% of the multiple choice questions.	Scored correctly on less than 90% of the multiple choice questions.	Scored correctly on less than 80% of the multiple choice questions.	Scored correctly on less than 70% of the multiple choice questions.	Scored correctly on less than 60% of the multiple choice questions.

AT4. Mid-Term Examination (25%)

A *closed book* mid-term examination schedule on [] Friday evening will be used to gauge students' understanding of the auditing principles on a continuous basis and to test students' problem solving skills.

Grading Criteria

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILOs 1, 2 and 3.	Provided accurate solutions to all problems, gave detailed and insightful responses to essay questions and scored correctly on more than 90% of the multiple choice questions.	Provided accurate solutions to some problems, gave detailed responses to some essay questions and scored correctly on less than 90% of the multiple choice questions.	Provided accurate solutions to a few problems, gave limited responses to some essay questions and scored correctly on less than 80% of the multiple choice questions.	Provided inaccurate solutions to a few problems, gave unclear responses to most essay questions and scored correctly on less than 70% of the multiple choice questions.	Skipped some problems or provided inaccurate solutions to most problems, gave poor responses to most essay questions and scored correctly on less than 60% of the multiple choice questions.

AT5. Final Exam (40%)

The final examination will be held in the normal exam period. It is ***a closed book***, comprehensive and covers all the chapters on the course syllabus. With the exception of extremely special cases, NO MAKEUP exam will be allowed if students fail to seek ADVANCE permission from the instructor. The objective of the final exam is to further enhance students' understanding of the course and their application of judgmental skills on various auditing issues.

Grading Criteria

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILOs 1, 2, 3 and 4.	Provided accurate solutions to all problems, gave detailed and insightful responses to essay questions and scored correctly on more than 90% of the multiple choice questions.	Provided accurate solutions to some problems, gave detailed responses to some essay questions and scored correctly on less than 90% of the multiple choice questions.	Provided accurate solutions to a few problems, gave limited responses to some essay questions and scored correctly on less than 80% of the multiple choice questions.	Provided inaccurate solutions to a few problems, gave unclear responses to most essay questions and scored correctly on less than 70% of the multiple choice questions.	Skipped some problems or provide inaccurate solutions to most problems, gave poor responses to most essay questions and scored correctly on less than 60% of the multiple choice questions.

ACADEMIC CONDUCT

Plagiarism and copying of copyright materials are serious offences and may lead to disciplinary actions. Students should read the chapters on "Plagiarism" and "Copyright" in the Undergraduate/Postgraduate Handbook for details. Students are strongly advised to read the booklet entitled "What is Plagiarism" which was distributed to them upon their admission into the University, a copy of which can be found at www.hku.hk/plagiarism. A booklet entitled "Plagiarism and How to Avoid it" is also available from the Main Library.

Students are required to attend all the lectures and tutorials on time. In case they cannot attend, they should inform the instructor beforehand.

SCHEDULE OF LECTURES

MAIN LECTURES		SUB-LECTURES		
Date (Fri)	Topic	Date (Mon & Tue)	Case Analysis & Presentation	Chapter
Jan 20	Auditing: Integral to the Economy	Jan 23, 24	Warm-up; briefing of group presentation; group formation	Ch. 1
Feb 10	The Risk of Fraud and Mechanisms to Address Fraud: Regulation, Corporate Governance, and Audit Quality	Feb 6, 7	- Introduction of the Code of Ethics for Professional Accountants - A sample practice ethics question in HKICPA QP exam	Ch. 2
Feb 17	Internal Control over Financial Reporting: Management's Responsibilities and Importance to the External Auditors	Feb 13, 14	Case 1 – PCAOB (Textbook: P1-61)	Ch. 3
Feb 24	Professional Auditing Standards and the Audit Opinion Formulation Process	Feb 20, 21	Case 2 - Koss Corporation (Textbook: P2-51)	Ch. 5
Mar 3	A Framework for Audit Evidence (Quiz 1 on Mar 3, 2017)	Feb 27, 28	Case 3 - Chesapeake Petroleum and Supply, Inc. (Textbook: P3-79)	Ch. 6
Reading Week – March 6 – 11, 2017 (week 7)				
Mar 17	Planning the Audit: Identifying and Responding to the Risks of Material Misstatement	Mar 13, 14	Case 4 – General Motors (Textbook: P5-92)	Ch. 7
Mar 24	Auditing the Revenue & Payment Cycle	Mar 20, 21	Case 5 - Longtop Financial Technologies Ltd and Deloitte Touche Tohmatsu CPA Ltd (Textbook: P6-70)	Ch. 9, 11
Mid-Term Examination – [] (Friday) Time: 7pm to 9pm Venue: [] Coverage: 1 to 3, 5, 6 & Code of Ethics				

MAIN LECTURES		SUB-LECTURES		
Date (Fri)	Topic	Date (Mon &Tue)	Case Analysis & Presentation	Chapter
Mar 31	Substantive Testing – Accounts Receivable, Cash, Marketable Securities	Mar 27, 28	Case 6 - Lincoln Federal Savings and Loan (Textbook: P7-59)	Ch. 9, 10
Apr 7	Substantive Testing –Inventory, PPE and Intangible Assets (Quiz 2 on Apr 7, 2017)	Apr 10, 11	Case 7 - UTStarcom, Inc. (Textbook: P9-77)	Ch. 11, 12
Apr 21	Activities Required in Completing a Quality Audit	Apr 17, 18	No class	Ch. 14
Apr 28	Audit Reports on Financial Statements	Apr 24, 25	Case 8 - Parmalat (Textbook: P10-72 & P10-75)	Ch. 15
May 5	Guest lecture and final wrap up			

SCHEDULE OF TUTORIALS

Period	Topic	Discussion Questions	Hand-written Assignments <u>To submit during tutorial</u>
Jan 16 – Feb 3 (week 1,2)	No class	--	--
Feb 6 – Feb 10 (week 3)	Ch. 1	P1-50	P1-29, P1-49
Feb 13 – Feb 17 (week 4)	Ch. 2	P2-35 (i, j, k)	P2-32, P2-34
Feb 20 – Feb 24 (week 5)	Ch. 3	P3-46	P3-44, P3-78
Feb 27 – Mar 3 (week 6)	Ch. 5	P5-84	P5-54, P5-57
<i>Reading week Mar 6 – Mar 10, 2017 (week 7)</i>			
Mar 13 – Mar 17 (week 8)	Ch. 6	P6-48 (a to e)	P6-41, P6-56
Mar 20 – Mar 24 (week 9)	Ch. 7	P7-38	P7-50(a)
Mar 27 – Mar 31 (week 10)	Ch. 9, 11	P9-50	P9-52, P9-57
Apr 3 –Apr 7 (week 11)	Ch. 9, 10	P10-64	P9-64, P10-52
Apr 10 –Apr 14 (week 12)	Ch.11, 12	P11-49	P12-53, P12-57
Apr 17 –Apr 21 (week 13)	No class	--	--
Apr 24 – Apr 28 (week 14)	Ch.14	P14-72	P14-79, P14-87
TBA	Ch.15	P15-59	P15-61

Notes:

- (a) Each student must submit his/her **HAND-WRITTEN** assignment answers in **A4 papers to submit during tutorial**. Late submission is NOT allowed.
- (b) Students failing to submit assignments on time must seek approval from tutor with medical certificate within 24 hours from the due date and time.