



# **Rotman** Commerce UNIVERSITY OF TORONTO

## **COURSE OUTLINE**

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### **RSM423H1F—AUDITING II**

#### **FALL 2014**

Course Meets: L0101 Mondays 1-3 in WO 30  
L0201 Thursdays 3-5 in WO 35

#### **COURSE INSTRUCTOR**

Julie McDonald

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#### **OFFICE HOUR AND LOCATION**

To be announced on Blackboard

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#### **COURSE DESCRIPTION:**

This course considers a range of issues that are important in audit practice. It builds on your introductory course by providing a more thorough coverage of auditing topics. It also highlights other professional services provided by a public accountant along with current issues facing the auditing profession today. Most importantly, it teaches students how to **apply** the core knowledge obtained in RSM323 by using a case approach.

#### **COURSE OBJECTIVES:**

1. To enhance auditing knowledge previously acquired. This involves re-visiting the core materials covered in RSM323 and adding more illustrations (cases) and more professional judgment to certain core materials.
2. To introduce special topics such as other financial statement audit topics not previously covered, auditing future oriented financial information, auditing in the public sector and special reports.
3. To develop critical thinking skills and the application of professional judgment and skepticism in assurance engagements.
4. To develop an integrative thought process (assurance/financial accounting) and to develop core case writing skills.
5. To integrate more accounting and more unusual assurance situations.

## **COURSE PREREQUISITES**

RSM 323H1F

## **COURSE MATERIALS**

### **Required Text**

Canadian Assurance Cases: Auditing in the Real World, by Julie McDonald, Publisher: John Wiley & Sons Canada, ISBN 978-1-1183-6246-4

### **CPA Handbook**

The required reading material for this course is contained in the CPA Handbook which **you must have access to for this course**:

- The CPA Handbook is accessible online at [www.rotman.utoronto.ca/bic](http://www.rotman.utoronto.ca/bic).
- Go to “databases by subject” and select Accounting
- Click on “CPA Canada Standards and Guidance Collection” and you are forwarded to the CPA Handbook.

### **Optional Text**

You may from time to time need to consult the textbook you used for RSM323: Auditing: An International Approach (6th Edition), [2013] Smieliauskas and Bewley.

### **Other**

Articles, cases and additional reading material as posted on Blackboard by the Instructor.

### **Useful Websites**

- CPA Canada: [www.cpacanada.ca](http://www.cpacanada.ca)
- CPA Ontario: [www.cpaontario.ca](http://www.cpaontario.ca)

## **INSTRUCTIONAL APPROACH**

A combination of lecture, case studies, and classroom discussion will be used.

Each class will comprise of homework take-up for cases assigned the previous class and, depending on the topic, either a short or detailed lecture of core knowledge material as outlined in the Weekly Schedule in Appendix 1. Basically, if the topic was covered in RSM323, this will be a review of the highlights of the topic only. In the event that the topic is new material that was not covered in RSM323, the lecture will be more detailed.

Students are expected to have completed the required readings and to have attempted the assigned cases and problems prior to attending class. Solutions to cases taken up in class will not be made available to the students.

Since the entire course is based on **application** of the core knowledge material, lectures will address a successful approach to answering the cases assigned. It has been proven that students who understand this approach to problem-solving and do the assigned homework each class will perform better on the term test and final exam.

**MARKING SCHEME**

Individual Case	In-class, Week 5. See below for details.	10%
Midterm Exam	Friday October 24 <sup>th</sup> from 1:00 to 3:00 p.m. Location: TBA	30%
Quizzes	Dates indicated below – completed online.	5%
Class Participation	Discussed below.	5%
Group Assignment	Class 10. See below for details.	10%
Final Exam	During exam period.	40%

**Policies Regarding Tests and Assignments:**

It is important that students are thoroughly familiar with the concepts introduced as all exams and assignments will be cumulative.

**Final Exam**

The final exam is a 3-hour comprehensive exam covering all material in the course.

**Midterm Exam**

The term test is 2 hours and covers all course content up to and including the material covered in Class 6.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

There will be no make-up exams for missed midterms. The weighting will be re-assigned to your final exam.

**Class Participation**

Class participation marks will be based on participation during homework take-up and discussions in class.

For homework take-up, students are expected to have read the assigned cases in advance to identify issues, alternatives, and recommendations. Students should be prepared to contribute to class discussion on the cases by raising questions and issues on their own initiative and by being able to respond to questions and issues raised by other students and the Instructor.

In order to provide students with feedback regarding participation, a name card/self-evaluation sheet (name card) will be distributed in the first class and will be required to be completed by the student each class. The name card will be collected and reviewed by the Instructor each class and re-distributed the next class. While the student's final

participation grade will be awarded by the Instructor, the student evaluation will be considered in the decision. Failure to maintain and complete the self-evaluation card will result in a grade of zero for the class participation component of your final grade.

The success of the course for students depends on active, thoughtful participation and preparation by the members of the class. Attendance is a pre-requisite for participation. The mark each student receives will reflect the quantity and quality of that student's contribution to the course. Your participation will be graded based on the following scale:

Significant & meaningful contributions	4-5
Regular and useful contributions	3-4
Occasional contributions	2-3
Regular attendance, minimal contribution	1-2
Irregular attendance	0-1

#### Individual Case Assignment

There will be one individual in-class case for the term. This is a one-hour case that will be completed "in-class" and is closed-book. Includes topics up to and including Week 4, including topics covered in RSM323.

In the event a student misses the individual case assignment due to illness or domestic tragedy, the student must contact the Instructor prior to the date if possible and submit a completed University of Toronto official "Student Medical Certificate" (available at: <http://www.utoronto.ca/health/forms/medcert.pdf>) indicating type of illness and date of illness (or other applicable documentation for domestic situations) to the Instructor within 48 hours of the test date.

There will be no make-ups for a missed individual assignment. 100% of the weight of this assignment will be re-allocated to the midterm exam.

#### In-class Group Assignment

The in-class group assignment will be held in Class 10. The case will be made available on the course Blackboard website 2 hours prior to class. Students will have until 2 hours after class to complete and electronically submit their response to the Instructor.

Detailed particulars regarding this item will be provided in class. Students will have a choice of establishing their own groups of 4-6 students or being assigned groups by the Instructor. One paper will be submitted for each group. **One group member from each group must email the group member names and student numbers to the Instructor by the end of Class 7 or the Instructor will automatically assign the student to a group.**

**Late submissions will be penalized a deduction of 20% for each hour or part thereof.**

In the event a group member misses the group assignment due to illness or domestic tragedy, the student must contact the Instructor immediately and submit a medical certificate indicating nature and date of illness (or other applicable documentation for domestic situations), if possible in the class following the assignment date. The student mark will be reweighted, by adding 5% to the final exam and 5% to another case, as assigned by the Instructor. This will be done outside of the classroom and the student will be given 1 week to provide their response.

Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students and you are therefore reminded of the following expectations with respect to behaviour and contributions to your team project.

1. Read the document entitled, “Working in Teams: Guidelines for Rotman Commerce Students” which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team’s process of learning how to work together effectively and when handled well can generate creativity and bring-multiple perspectives to the solution.

Student teams are collectively expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). In cases where teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach\*\* as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

\*\* For an appointment with a Rotman Commerce Team Coach, please contact Nikoleta Vlamis at [nikoleta@nikoletaandassociates.com](mailto:nikoleta@nikoletaandassociates.com) or Elaine Zapotoczny at [elaine@nikoletaandassociates.com](mailto:elaine@nikoletaandassociates.com). Nikoleta and Elaine are highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach’s role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

**Quizzes**

These are multiple choice quizzes that will test the student's technical knowledge. Refer to Appendix 1 for specific Handbook sections related to each topic below. The due dates and topics covered for each quiz is as follows:

<b>QUIZ #</b>	<b>TOPIC</b>	<b>Appendix 1 Reference</b>	<b>DATES AVAILABLE</b>
1	Professional Ethics, Legal Liability, Acceptance & Continuance and Planning	From RSM323	noon Sept. 12 to noon Sept. 14
2	Execution and Reporting Auditing I Advanced Topics	RSM323 and Class 2	noon Sept. 19 to noon Sept. 21
3	Other Financial Statement Audit Topics	See Class 3 & 4	noon Oct. 3 to noon Oct. 5
4	Advanced Financial Statement Audit Topics	See Class 5 & 6	noon Oct. 21 to noon Oct. 23
5	Special Reports	See Class 7 & 8	noon Nov. 4 to noon Nov. 6
6	Prospectuses & Future Oriented Financial Information	See Class 9	noon Nov. 11 to noon Nov. 13

**There will be no make-up quizzes. Student will get 0 for a missed quiz however the best 5 out of 6 quizzes will count towards the final grade.**

**OTHER COURSE ISSUES:****Homework**

Homework is listed on the Weekly Schedule. It is the student's responsibility to prepare the assigned homework before coming to a class. Historically, students who complete all assigned homework each class have consistently received a higher mark than those who do not.

**Missed Class**

Students who miss classes are responsible for obtaining notes, handouts, assignments or test information from other students.

**Blackboard**

During the semester, students should check on the course Blackboard site for announcements as well as new postings.

**Calculators**

A silent-non-programmable calculator may be brought to all tests and exams.

**Use of Electronic Devices During Class**

Cell phones or other devices should not be used in the classroom as they are distracting to other students, speakers and your Professor. Students may use a laptop for note-taking

purposes only. No use of the internet (other than accessing the Blackboard site) will be allowed during class. Students who do not comply will be asked to leave the classroom.

### **Course Management**

Every effort will be made to manage the course as stated. However, adjustments may be necessary during the term at the discretion of the Instructor. If so, students will be advised, and alterations will be discussed in class and posted on Blackboard prior to implementation.

### **Remarking requests for term tests & assignments:**

1. Requests to have tests, exams and assignments remarked will be considered if the following conditions are met:
  - a) The test/assignment is submitted to the Professor no later than one week after the marked test/assignment has been returned to the student;
  - b) The student submits with his request a written explanation as to why and where he/she believes he/she is entitled to more marks; and
  - c) The Professor has no reason to believe the student has made any changes subsequent to the test/assignment being returned.
2. Students should be aware of the following:
  - Selected tests/assignments may be randomly photocopied before being returned
  - Items submitted for remarking may be remarked in their entirety and the mark awarded may increase, decrease, or remain the same

## **ACADEMIC INTEGRITY AND ACCESSIBILITY NEEDS**

### **Accessibility Needs**

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: [disability.services@utoronto.ca](mailto:disability.services@utoronto.ca) or <http://www.accessibility.utoronto.ca/>.

### **Academic Integrity**

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

*The University of Toronto's Code of Behaviour on Academic Matters*

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other University of Toronto resources such as College Writing Centres or the Academic Success Centre.

See next page for Appendix 1: Weekly Schedule.



## APPENDIX 1

### WEEKLY SCHEDULE: COURSE TOPICS, ASSIGNED READINGS AND PROBLEMS

#### 1. September 8/11: Introduction & Review of Auditing I

- Required Reading:
  - Review of RSM323 notes for Professional Ethics, Legal Liability, Acceptance & Continuance, Planning, Execution and Reporting
  - Casebook: Chapters 1 & 2
- Cases:
  - As posted on Blackboard

#### 2. September 15/18: Auditing I Advanced Topics

- Required Reading:
  - CAS 210 – Agreeing the Terms of Audit Engagements (acceptance & continuance)
  - CAS 450 – Evaluation of Misstatements Identified during the Audit
  - CAS 510 – Initial Audit Engagements — Opening Balances
  - CAS 530 – Sampling
  - CAS 550 – Related Parties
  - CAS 560 – Subsequent Events
- Cases:
  - As posted on Blackboard

#### 3. September 22/25: Other Financial Statement Audit Topics: Reliance

- Required Reading:
  - Section 5049 – Use of Specialists in Assurance Engagements
  - Section 5050 – Using the Work of Internal Audit
  - CAS 600 – Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)
  - CAS 610 – Using the Work of Internal Auditors
  - CAS 620 – Using the Work of an Auditor's Expert
  - Aug 46 – Communications with Law Firms under new Accounting and Auditing Standards
- Cases:
  - As posted on Blackboard

#### 4. September 29/October 2: Other Financial Statement Audit Topics: Governance & Internal Control

- Required Reading:
  - Guidance of the Criteria of Control Board
  - CAS 260 – Communication with Those Charged with Governance
  - CAS 265 – Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
  - Section 5925 – Audit of Internal control over Financial Reporting that is integrated with an audit of Financial Statements
  - Section 9110 – Agreed upon procedures regarding internal control over financial reporting
- Cases:
  - As posted on Blackboard

**5. October 6/9: Advanced Financial Statement Audit Topics**

- **Individual case—One hour, in-class. Includes topics up to and including Week 4, including topics covered in RSM323.**
- Required Reading:
  - Section 5020 – Association
  - Section 7500 – Auditor's Consent to the Use of the Auditor's Report in Connection with Designated Documents
  - Section 7050 – Auditor Review of Interim Financial Statements
  - CAS 402 – Audit Considerations Relating to an Entity Using a Service Organization
  - CAS 710 – Comparative Information — Corresponding Figures and Comparative Financial Statements
- Cases:
  - As posted on Blackboard

**6. October 16/20: Advanced Financial Statement Audit Topics (continued)**

- **Return and take-up individual case**
- Required Reading:
  - CAS 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
  - CAS 540 – Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
  - CAS 250 – Consideration of Laws and Regulations in an Audit of Financial Statements
  - CAS 570 – Going Concern
- Cases:
  - As posted on Blackboard

**Midterm Exam: Friday October 24<sup>th</sup> from 1:00 to 3:00 p.m. (location to be announced).**

**The term test is 2 hours and covers material up to and including Class 6.**

**If you cannot attend the exam at this time, you must inform your professor by email by Friday September 26<sup>th</sup>. Also, you must provide proof that you are unable to attend such as a copy of your timetable indicating you have class at this time or documentation from your employer.**

**7. October 23/27: Introduction to Special Reports**

- Required Reading:
  - Section 5021 – Authority of Auditing and Assurance Standards and Other Guidance for Engagements Other than Audits of Financial Statements and Other Historical Financial Information
  - Section 5025 – Standards for Assurance Engagements Other than Audits of Financial Statements and Other Historical Financial Information
  - Section 5030 – Quality Control Procedures for Assurance Engagements Other than Audits of Financial Statements and Other Historical Financial Information
  - Section 5800 – Special Reports: Introduction
- Cases:
  - As posted on Blackboard

**8. October 30/November 3: Special Reports (continued)**

- Return and take-up midterm (tentative)
- Required Reading:
  - CAS 805 – Special Considerations — Audits of Single Financial Statements and Special Elements, Accounts or Items of a Financial Statement
  - Section 5815 – Audit Reports on Compliance with Agreements, Statutes and Regulations
  - Section 7600 – Reports on the Application of Accounting Principles
  - Section 8500 – Reviews of Financial Information other than Financial Statements
  - Section 8600 – Reviews of Compliance with Agreements and Regulations
  - Section 9100 – Reports on the Results of Applying Specified Auditing Procedures to Financial Information other than Financial Statements
  - CSAE 3416 – Reporting on Controls at a Service Organization
  - CAS 800 – Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
  - CAS 810 – Engagements to Report on Summary
  - CSAE 3410 – Assurance engagements on greenhouse gas statements
- Cases:
  - As posted on Blackboard

**NOVEMBER 3, 2014– LAST DAY TO DROP COURSE WITHOUT ACADEMIC PENALTY**

**9. November 6/10: Prospectuses & Future Oriented Financial Information**

- Required Reading:
  - Section 7150 – Auditor's Consent to the use of a Report of the Auditor included in an Offering Document
  - Section 7200 – Auditor's Assistance to Underwriters and Others
  - Section 4250 (Acctg)– Future-Oriented Financial Information (**Note:** this section is in the Accounting Handbook)
  - AuG-6 – Examination of a Financial Forecast or Projection Included in a Prospectus or Other Public Offering Document
  - AuG-16 – Compilation of a Financial Forecast or Projection
- Cases:
  - As posted on Blackboard

**10. November 13/24: Group Assignment (no class)**

**11. November 20/December 1**

- Advanced Audit Topics
  - Required Reading:
    - CAS 720 – The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements
    - AuG 4 – Services on Matters Relating to Solvency
- Cases:
  - As posted on Blackboard

**12. November 27/December 3: Public Sector Auditing**

- a. PS5000 – Introduction to Assurance Recommendations that Apply Only to the Public Sector
- b. PS5300 – Auditing for Compliance with Legislative and Related Authorities in the Public Sector
- c. PS5400 – Value-for-Money Auditing in the Public Sector
- d. PS6410 – Planning for Value-for-Money Audits
- e. PS6420 – Knowledge of the Audit Entity in Planning Value-for-Money Audits in the Public Sector
- o Cases:
  - As posted on Blackboard
- o Return and take-up group case
- o Review for final exam