



**Business A745  
Assurance  
Fall 2022 Course Outline**

**Accounting and Financial Services Management  
DeGroote School of Business  
McMaster University**

**COURSE OBJECTIVE**

For those considering a career as a public accountant, this first auditing course will provide you with an understanding of the concepts of auditing and the auditing process and prepare you for the role of public accountant.

**INSTRUCTOR AND CONTACT INFORMATION**

**INSTRUCTOR INFORMATION:**

**Name:** Yvonne Kwok, CPA, CA      **Office Hours:** By Appointment (Virtual)  
**Office:** RJC      **Course location:** RJC  
**E-Mail:** [kwokyv@mcmaster.ca](mailto:kwokyv@mcmaster.ca)      **Time offered:** Tues 8:30 am to 11:20 am  
**Phone:** 905 525-9140

**Course Website:** <http://avenue.mcmaster.ca>

**COURSE ELEMENTS**

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
Avenue:	Yes	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	Yes	Final Exam:	Yes	Guest speaker(s):	Yes

## COURSE DESCRIPTION

This course is designed to provide you with an understanding of issues relevant to the public accounting profession, and a brief introduction to audit testing and procedures. You will learn to think critically about issues facing the accounting profession, by analyzing cases, completing in class exercises and “real world” group projects. Upon completion of the course, you will be familiar with the public accounting environment (including professional standards, legal liability, ethics and regulation), the planning requirements of an audit engagement, how to perform various auditing procedures, and how to interpret various types of auditor’s reports. Topics to be covered in the course include: role of auditing and the regulators, auditing standards, auditor’s reports, ethics, legal liability, the audit risk model, fraud, internal controls, audit assertions, audit evidence, and substantive testing.

The course is designed to be hands-on during class time, with case discussions, group activities and discussion of textbook problems. Lecturing will be minimized, and thus, it is required that you read the assigned materials before coming to class.

## LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Evaluate potential client’s public accounting needs
- Play the role of an audit professional in several public accountant decision making settings
- Assess a client business environment and its potential impact on the assurance process;
- Determine and apply basic audit procedures necessary in specific audit client circumstances; and
- Detail an audit plan that is *specific* to the assurance assignment.

## COURSE MATERIALS AND READINGS

We will use the following reading materials, available from the McMaster bookstore or online, in this course.

### REQUIRED:

- 1) Arens, Elder, Beasley, Hogan & Jones, *Auditing: The Art and Science of Assurance Engagements*. 15<sup>th</sup> Canada Version (“Arens”)
- 2) *CPA Canada Handbook*, (Assurance Sections) (“HB”) (available online via library)
- 3) *CPA Code of Professional Conduct (CPA Ontario website - <https://www.cpaontario.ca/stewardship-of-the-profession/governance/act-bylaws-and-regulations>)*
- 4) Articles /cases and additional materials posted on Avenue: <http://avenue.mcmaster.ca>

<b>EVALUATION</b>
-------------------

Missed tests/exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF. Late assignments will receive a grade of zero.

Your final grade will be calculated as follows:

COMPONENT	COMMENT	PERCENT
Midterm Exam	Individual	30
Cumulative Final Exam	Individual	30
Case assignment	Group	10
Research project (written/oral)	Group	25
Participation	Individual	5
<b>Total</b>		<b>100%</b>

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy.

<b>GRADE CONVERSION</b>
-------------------------

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

<b>CONDUCT OF CLASSES AND GENERAL APPROACH</b>
--

LEARNING ACTIVITIES	DELIVERY	DESCRIPTION	TOOL(S)
<b>Self-study</b>	Asynchronous	Readings, modules, discussions	<b>Textbook / Avenue to Learn / Tophat</b> On your own time before lectures
<b>Lectures</b>	In Person/ Synchronous	Live sessions led by your instructor	<b>Classroom / Tophat</b> Weekly during scheduled class time

Synchronous lectures, technical problem solving, case studies, and classroom discussions will be used. Lectures will be used to introduce, explain and otherwise clarify new topics and issues. This will be done using examples and/or problems and cases from the textbook. Lectures are in addition to the textbook. Not all problems and cases will be covered in class. It is of utmost importance that students bring their textbook to every synchronous lecture. Other problems will also be introduced in class from time to time. Solutions to short questions, multiple choice questions and problems will be provided, however, students are encouraged to discuss any other problems they have done with the instructor as well.

### Top Hat Platform

We will be using the Top Hat ([www.tophat.com](http://www.tophat.com)) classroom response system in class for enhanced learning experience. You will be able to submit answers to in-class questions using Apple or Android smartphones and tablets, laptops, or through text message.

You can visit the Top Hat Overview (<https://success.tophat.com/s/article/Student-Top-Hat-Overview-and-Getting-Started-Guide>) within the Top Hat Success Center which outlines how you will register for a Top Hat account, as well as providing a brief overview to get you up and running on the system.

An email invitation will be sent to you by email, but if don't receive this email, you can register by simply visiting our course website on TopHat:

<https://app.tophat.com/e/577218>

Should you require assistance with Top Hat at any time, due to the fact that they require specific user information to troubleshoot these issues, please contact their Support Team directly by way of email ([support@tophat.com](mailto:support@tophat.com)), the in app support button, or by calling 1-888-663-5491.

### **Support**

Should you require further assistance with Top Hat, their Support Team is there to help! You can contact them directly by way of email ([support@tophat.com](mailto:support@tophat.com)), the in app support button, the "Contact Support" button on this page, or call at 1-888-663-5491. Please do not contact your instructor for technical support.

## COMMUNICATION AND FEEDBACK

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors should conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

## CASE ASSIGNMENT

A team of 4 to 6 individuals (formed by instructor) will complete a case on an assurance engagement. Details of the case will be provided to you during week 3. The case assignment is due in week 6.

## RESEARCH WRITTEN AND ORAL PROJECT (DETAILS ATTACHED)

The same team of 4 to 6 individuals will take on the role of the audit engagement team for a publicly-traded Canadian company. The team is required to develop an audit strategy for the ‘client company’, using the company’s most recent annual report and other publicly-available information. This will require a written report and a class presentation due during the last two weeks of class. The project will give you an opportunity to consider how the concepts and techniques discussed in the course would apply to the audit of an actual business. All team members must actively participate. The instructor must approve the client company and assign the presentation date.

A maximum of **15 TYPED PAGES (double spaced, 12 pitch Times New Roman, portrait orientation, excluding tables, figures, and bibliography)** is to be submitted with an appropriate bibliography.

A “professional” 15-minute class presentation of your findings and then 5-minute question and discussion period is allocated to each team. All members receive the same mark. Once teams are assigned they may not be changed. The presentation mark will comprise 50% of the total research project mark (i.e., 12.5% of your total grade).

## **PARTICIPATION**

All students are required to participate on Zoom with your webcam turned on as if you are attending a boardroom meeting. Please note that TopHat will also be used to track engagement. Participation in discussion aids in assimilation of concepts and is an essential part of your professional development. Classes are more interesting and intellectually stimulating if there is participation from everyone. **In order for you to gain maximum benefit from discussions, it is essential that you complete text materials and readings in advance, as well as attempt assigned problems.** Therefore, class participation marks will be awarded on the basis of each student's contribution to discussions, and relevant questions and comments during lectures. Class participation is not equivalent to class attendance. Specifically, students who fail to participate in class discussions will receive a class participation mark of zero, regardless of regular class attendance. Students unable to attend class should inform the instructor before class of the conflict. Please refer to "Class participation evaluation" on Avenue.

## **EXAMINATIONS**

There will be a midterm and a comprehensive cumulative final examination during the examination period. There will be no makeup for the midterm examination. Absence from the scheduled midterm without prior approval of the instructor will result in a grade of zero. Approval for absence from an examination will only be granted for a valid reason (e.g. illness), and this portion of the grade will be re-weighted to the final examination. Absence from the final examination will be governed by the rules customarily followed by the School of Business. Examinations will be based on all assigned readings and cases, as well as class discussions and presentations.

**Note: Students are permitted to use only the McMaster standard calculator (CASIO FX-991) during examinations.**

## **ACADEMIC DISHONESTY**

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the *Academic Integrity Policy*, located at:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity)

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

## **ONLINE COURSE COMPONENTS**

In this course we will be using email and Avenue to Learn. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

## **REQUESTING RELIEF FOR MISSED ACADEMIC WORK**

### ***Missed Mid-Term Examinations / Tests / Class Participation***

Please do not use the online McMaster Student Absence Form (MSAF) as this is for Undergraduate students only. The MBA program will not accept an MSAF.

When students miss regularly scheduled term work which contributes 10% or more to the final grade, for legitimate reasons as determined by the Student Experience – Academic Office (SEAO), the activity necessary to compensate for the missed work will be determined by the course instructor. The compensatory activities assigned will vary with the nature of the course and the missed requirement. They include, but are not restricted to, an alternative assignment, a rescheduled midterm exam, or re-weighting the marks for the missed component to other mark components. Documentation explaining such missed work must be provided to the SEAO within five (5) working days of the scheduled date for completion of the work.

Acceptable reasons for missed work, along with the [Petition for Missed Term Work and the MBA Student McMaster University Student Health Certificate](#), can be found on the DeGroot MBA Student website ([mbastudent.degroot.mcmaster.ca](http://mbastudent.degroot.mcmaster.ca)). Please direct any questions about acceptable documentation to the MBA Academic Advisors ([askmba@mcmaster.ca](mailto:askmba@mcmaster.ca)).

University policy states that a student may submit a maximum of three (3) [Petition for Missed Term Work](#) per academic year, after which the student must meet with the Director of the program.

If term work is missed without an approved reason, students will receive a grade of zero (0) for that component.

### **Missed Final Examinations**

Students must be available for the duration of the posted exam period regardless of their personal exam schedule. This is to ensure student availability throughout the entire exam period in the event that an exam must be rescheduled due to unforeseen circumstances (university closure, power outage, storm policy, etc.). A student who misses a final examination without valid reason will receive a mark of 0 on the examination.

Students who have missed a final exam for a valid reason can apply to the SEAO to write a deferred examination by submitting an Application for Deferring a Final Exam with supporting documentation. The application must be made within five days of the scheduled exam date or the application may be denied.

The Application for Deferring a Final Exam and the MBA Student McMaster University Student Health Certificate can be found on the DeGroote MBA Current Student website ([mbastudent.degroote.mcmaster.ca](http://mbastudent.degroote.mcmaster.ca))

Deferred examination privileges, if granted, are normally satisfied during the examination period at the end of the following semester. In select cases, the deferred examination may be written at a time facilitated by the SEAO and agreed to by the course instructor.

Requests for a second deferral or rescheduling of a deferred examination will not be considered. Failure to write an approved deferred examination at the pre-scheduled time will result in a zero (0) mark for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript.

---

### ***ACADEMIC ACCOMMODATION FOR STUDENTS WITH DISABILITIES***

---

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>



## ON-LINE PROCTORING

**Some courses may** use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

## CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online.**

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

## STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

## ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDEGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

## COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

## POTENTIAL MODIFICATIONS TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

## ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA A745 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

<b>COURSE SCHEDULE</b>
------------------------

## **Business A745 Introduction to Auditing Fall 2022 Course Schedule**

### **Session 1 (Sept 13)– The Demand for Audit & The Public Accounting Profession and Audit Quality**

READ:

Arens - Ch 1 & 2

Problems: All Review Questions and 1-21, 1-23, 1-25, 2-20, 2-23

### **Session 2 (Sept 20) – Professional Ethics and Legal Liability & Audit Responsibilities and Objectives**

READ:

Arens Ch 3 & 4

ICAO Rules of Professional Conduct

Problems: All Review Questions and 3-22, 3-23, 3-26, 3-29, 3-33

### **Session 3 (Sept 27) – Audit Reports on Financial Statements & Other Services**

READ:

Arens Ch 4, 19 & 20

Problems: All Review Questions and 4-23, 4-27, 4-31, 4-32, 19-26, 19-27, 20-21, 20-22

### **Session 4 (Oct 4) – Audit Evidence (See Avenue re. recorded lecture)**

READ:

Arens Ch 5

Problems: All Review Questions and 5-27, 5-29, 5-34, 5-37

### **Session 5 (Oct 11) – Client Acceptance, Planning, and Materiality**

READ:

Arens Ch 6

Problems: All Review Questions and 6-34, 6-35, 6-40, 6-41

### **Session 6 (Oct 18) – Assessing the Risk of Material Misstatement**

READ:

Arens Ch 7

Problems: All Review Checkpoints and 7-26, 7-30, 7-34

*Case assignment due*

**Session 7 (Oct 25) Internal Control and COSO Framework & Assessing Control Risk and Designing Tests of Controls**

READ:

Arens Ch 8 & 9

Problems: All Review Questions and 8-27, 8-28, 8-32, 9-26, 9-28, 9-32

**MIDTERM**

**Session 8 (Nov 1)– Develop Risk Response:**

**Audit Strategy and Audit Program & Audit Sampling Concepts**

**Audit Data Analytics Concepts (additional materials on Avenue)**

READ:

Arens Ch 10 & 11 and Avenue

Problems: All Review Questions and 10-24, 10-28, 10-31,

**Session 9 (Nov 8) – Audit Cycles Part 1**

READ:

Arens Ch 12 - 17

Problems: All Review Questions and 12-34, 12-38, 13-26, 13-29, 14-28, 14-31

**Session 10 (Nov 15) – Audit Cycles Part 2**

READ:

Arens Ch 12 - 17

Problems: All Review Questions and 15-23, 15-25, 16-24, 16-27, 17-21

**Session 11 (Nov 22) – Completing the Audit**

READ:

Arens Ch 18

***Audit Planning Memorandum Due***

Problems: All Review Questions and 18-23, 18-30, 18-33

**Session 12 (Nov 29) – Group Presentation and Exam Review**

**NOTES:**

ALL PREPARE-FOR-CLASS-DISCUSSION QUESTIONS MAY NOT BE COVERED DUE TO TIME PRESSURES. HOWEVER, YOU ARE STILL RESPONSIBLE FOR ALL ASSIGNED MATERIALS

THERE MAY BE OTHER ASSIGNED MATERIALS HANDED OUT FROM TIME TO TIME. THESE ARE ALSO PART OF YOUR RESPONSIBILITIES

## **A745**

### **RESEARCH PROJECT – Fall 2022**

The term project is a hands-on exercise in planning a financial statement audit. The project will give you an opportunity to consider how the concepts and techniques discussed in the course apply in auditing an actual business.

A team of individuals will take on the role of the audit engagement team for a publicly-traded Canadian company. The team is required to develop an audit strategy for the ‘client company’, using the company’s most recent annual report and other publicly-available information. Detailed instructions are below.

This will require a written report and a class presentation. All team members must actively participate.

#### **Project Instructions**

Assume that you are the engagement team conducting the financial statement audit of your assigned company. You are required to 1) prepare a planning memorandum and 2) submit a video of your presentation to the instructor. The project is worth 25% of the course grade, 50% for the presentation and 50% for the paper.

You can assume that the financial statements included in the annual report are not yet audited and you are responsible for planning the audit of these statements.

Use the information provided in the company’s Annual Report and other publicly documents relevant to your planning process. State any assumptions you find it necessary to make. You are not to contact the organization or interview people for this project. You also should not contact the actual auditors as they will need to keep all the client information confidential.

Please feel free to ask the instructor for further guidance if any of the requirements are not clear.

**Required:**

Assume the role of the entity's external auditor and prepare a planning memorandum with the following sections: (% marks available for each section noted in brackets)

1. Prepare a time budget for the project. Note which team member(s) are assigned to each section and estimate the amount of time each will spend to complete the work. Present as Exhibit 1. (2%)
2. Describe the business to demonstrate your understanding of the client company. This is a new company to the audit partner and the audit firm. Be sure to incorporate any client acceptance issues/considerations (such as going concern, independence issues, etc.) (15%)
3. Determine the audit risk level your team is willing to accept for this engagement. Justify your choices (15%)
4. Determine the materiality level you will use for planning purposes. Justify your choices. (15%)
5. Present the result of key analytical review procedures and impact on your audit approach. Summarize your findings in the report and provide details in an Exhibit. (20%)
6. Based on your research and assumptions above, state what you think will be the key audit issues to address in the engagement, and their impact on your audit approach. A minimum of two issues and a maximum of three issues should be discussed. (25%)
7. Summarize your preliminary overall audit strategy. (5%)
8. Prepare a time summary showing actual time spent by each team member on each section of the planning exercise. Add this information to Exhibit 1. (3%)

The maximum length of your paper should not exceed 15 pages, excluding exhibits, typed, double-spaced. Please hand in one copy of your company's Annual Report with your paper.

The presentation should be 15 minutes in length. Please provide the video and slides electronically to the instructor.