



The University of Hong Kong  
Faculty of Business and Economics  
School of Business  
Course Syllabus and Outline **(TENTATIVE)**  
BUSI0006ABCDEF Auditing  
Semester I 2009/2010

## I. COURSE INFORMATION

**Course Name:** Auditing

**Prerequisite:** BUSI 0020 Intermediate Accounting II

**Textbooks:** (1) Elder, R. J., M. S. Beasley, and A. A. Arens. 2010. *Auditing and Assurance Services: An Integrated Approach*, 13<sup>th</sup> Edition, Pearson-Prentice Hall.

(2) *Code of Ethics for Professional Accountants (COE)* issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

**Course Website:** <http://www.pearsonhighered.com/arens/>

The course website provides students with very useful studying tools, e.g. exercises, self-study quizzes, and internet problems. “Internet Problems” and the end-of-chapter assignments (that are available for most chapters) require students to utilize the Internet to conduct research in order to develop a solution.

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## II. 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.

### III. 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.

### IV. 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.

### V. 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

### VI. TEACHING AND LEARNING ACTIVITIES (TLAs)

*TLA1. Situation: Interactive lectures*

- Lectures: basic knowledge 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.
- Case analysis and synthesis: Students are required to form groups to analyze and present small cases. The assigned cases have a broad coverage, including applications of auditing knowledge to real-life situations, discussions of controversial issues in client acceptance, discussions of ethical and practical issues. These practices help students improve critical thinking abilities and research skills.

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

*TLA2. Situation: Tutorials*

Practice questions and selective assignments are covered.

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

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

*TLA3. Situation: Case analysis and synthesis and outside-classroom activities*

- Group discussions: students are divided into groups to complete *a cases analysis* and *a case synthesis* in the small group lecture. Each group of students will be assigned **a case** to analyze and present, and **another case** to write a case synthesis to assess their abilities to apply the auditing knowledge they acquired to real life practical scenarios. Students' participation and discussions (as a group) are also required during the case presentation session. Once the case is assigned, each group should work as a team and contribute jointly to discuss and analyze the case, assign responsibility for the case and present the case in class.
- Lecturer consultations: the lecturer provides 6 hours of consultation weekly to address students' questions and doubts related to the course.

Major focus: ILOs 2, 3 and 4.

**VII. ASSESSMENT TASKS/ACTIVITIES (ATs)**

Attendance, assignments and in-class participation		12%
Case analysis and presentation	6%	
Case synthesis	6%	
Group participation	<u>6%</u>	18%
Term test		20%
<u>Final examination</u>		50%
Total		100%

*AT1. Attendance and Assignments (12%)*

Students are expected to attend and participate actively in lectures and tutorials. 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. Quietly sitting in the tutorials does not count, but of course absenteeism from class will negatively affect the

performance. 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
<b>ILO 1, 2, 3 and 4.</b>	Extremely well prepared for class discussion, active in sharing views and attended at least 90% of classes.	Partially prepared for class discussion, quite active in sharing views and attended at least 80% of classes.	Not well prepared for class discussion, limited active in sharing views and attended at least 70% of classes.	Not well prepared for class discussion, no sharing of views and attended at least 60% of classes.	Never prepared for class discussion and no sharing of views and experience and attend less than 50% of classes.

*AT2. Case Analysis and Presentation (6%)*

Each group will be assigned a case to analyze and present. The date for the case presentation is shown in the course outline. In the 25-minute group presentation, the presenting group needs to present a brief summary of the case background, the case issues, the group’s solutions to the case and lessons learned. At the end of the presentation, students are required to submit all presentation materials/notes for grading. The group cannot submit a case synthesis on the case they presented. The objective of the case analysis and presentation is to help students develop teamwork, apply the knowledge into real-life situations and improve communication skills. The group presentation will be evaluated based on the six criteria (i.e., *preciseness and conciseness of analysis, thoughtfulness, recommendations given, overall conclusions, organization of presentation, and overall impression*) provided in the Case Presentation Evaluation form. In determining the grade, input from other groups’ evaluation and their comments are being considered. After the presentation, I will be glad to meet with the group to discuss their evaluation.

**Grading Criteria**

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

*AT3. Case Synthesis (6%)*

During the day that the cases have been assigned for presentation and discussion, another group (the case synthesis group) will be required to submit a case synthesis. Each case synthesis should have a page limit of 2 double-spacing pages (about 600 words, excluding tables, charts and graphs). The group cannot write on the case it has selected to analyze and present. The objective of the case synthesis is to help students develop teamwork and apply the knowledge into real-life situations. Each case synthesis will be graded according to following criteria:

<i>Content of the report (Specificity/Creativeness/Coherence/Linkage to a bigger picture)</i>	3%
<i>Writing Style (Coherence/Clarity/Mechanics)</i>	2%
<i>Presentation and Discussion (Structure/ Clarity/Use of materials)</i>	<u>1%</u>
<b>Total</b>	<u><b>6%</b></u>

**Grading Criteria**

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
<b>ILOs 2, 3 and 4.</b>	Very Good to excellent ratings on some or all three criteria.	Good to very Good ratings on some or all three criteria.	Fair to good ratings on some or all three criteria.	Fair ratings on all three criteria.	Fail to prepare and submit the written case analysis.

*AT4. Group participation (6%)*

It is necessary for each group to participate in the group activities, e.g., keeping attendance record, evaluating group presentation and participating in question/answering sessions. Therefore, please well prepare in case readings prior to the classes.

**Grading Criteria**

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
<b>ILOs 2, 3 and 4.</b>	Extremely active participation in group activities.	Quite active participation in group activities.	Some participation in group activities.	Rarely participation in group activities.	No participation in group activities.

*AT5. Term Test (20%)*

A term test 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 <b>1, 2 and 3.</b>	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.

### AT6. Final Exam (50%)

The final examination will be held in the normal exam period. It is *an open book*, comprehensive and covers all the chapters on the course syllabus. With the exception of extremely special cases, NO MAKEUP test 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 <b>1, 2, 3 and 4.</b>	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.

## VIII. ACADEMIC CONDUCT

- a) 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](http://www.hku.hk/plagiarism). A booklet entitled “Plagiarism and How to Avoid it” is also available from the Main Library.
- b) Students are required to attend all the lectures and tutorials on time. In case they cannot attend, they should inform the instructor beforehand.

## IX. COURSE OUTLINE

<i>Lecture</i>	<i>Topics</i>	<i>Readings (Text Book Chapter)</i>	<i>Tutorials: (Text Book Questions)</i>
<b><i>The Auditing Profession</i></b>			
<b>1 (Sep 1 – Sep 5)</b>	Audit and Assurance Services. (Raymond) <b><i>No Case Study.</i></b>	1.	1-18 (a to d) & 1-20.
<b>2 (Sep 7 – Sep 12)</b>	The Public Accounting Profession. (Raymond) <b><i>Warm-up Case.</i></b>	2.	2-21 & 2-22 (optional).
<b>3 (Sep 14 – Sep 19)</b>	Professional Ethics, and Legal Liability (Raymond) <b><i>Demonstrating Case.</i></b>	5 (pages 103-110 only), HKICPA Code of Ethics for Professional Accountants COE), and 4.	5-23, 5-29, 4-18, 4-21, & 4-27.
<b><i>The Audit Process</i></b>			
<b>4 (Sep 21 – Sep 26)</b>	The Audit Process Overview, Audit Responsibilities and Objectives, and Audit Evidence. (Raymond) <b><i>Case Study #1.</i></b>	6 and 7.	6-25, 6-26, 6-28, 7-30, 7-31, & 7-32.
<b>5 (Sep 28 – Oct 3)</b>	<b><i>No Main Lecture (National Day Holiday – Oct 1). Case Study #2.</i></b>	N/A.	N/A.
<b>6 (Oct 5 – Oct 10)</b>	Audit Planning and Analytical Procedures, and Materiality and Risk. (Raymond) <b><i>Case Study #3.</i></b>	8 and 9.	8-29, 8-33, 8-36 (optional), 9-27, 9-29, & 9-34.
<b>Oct 12 – Oct 17 University Reading Week – No lectures and tutorials this week.</b>			
<b>7 (Oct 19 – Oct 24)</b>	SOX 404 Audits of Internal Control and Control Risk, and Overall Audit Plan and Audit Program. (Raymond) <b><i>Case Study #4.</i></b>	10 and 13.	10-37, 10-38, 13-26, 13-32 & 13-34.

<b>8</b> <b>(Oct 26 – Oct 31)</b>	Audit Reports, and Completing the Audit. (Raymond) <i>No Case Study (Chung Yeung Festival Holiday – Oct 26).</i>	<i>3 and 24.</i>	<i>3-27, 3-28, 3-30, 24-27 &amp; 24-28 (optional).</i>
<b>Term Test</b>			
<b>Application of the Audit Process</b>			
<b>9</b> <b>(Nov 2 – Nov 7)</b>	Illustration: An application of the audit process to the Sales and Collection Cycle. (Raymond) <i>Case Study #5.</i>	<i>14 and 16.</i>	<i>14-24, 14-25, 14-27, 16-25, 16-27, &amp; 16-30.</i>
<b>10</b> <b>(Nov 9 – Nov 14)</b>	<i>Actual life of an auditor in a public accounting firm: Experience sharing on Project Engagement and Management. (KM)</i> <i>Case Study #6.</i>	<i>Supplementary Materials, if any.</i>	<i>N/A.</i>
<b>11</b> <b>(Nov 16 – Nov 21)</b>	<i>Practical Auditing Issues. (Guest Speaker from Deloitte)</i> <i>Case Study #7.</i>	<i>Supplementary Materials, if any.</i>	<i>N/A.</i>
<b>12</b> <b>(Nov 23 – Nov 28)</b>	Other illustrations: Inventory and Warehousing Cycle, and Cash Balance. (Raymond) <i>Case Study #8.</i>	<i>21 and 23.</i>	<i>21-31, 21-32, 23-22, &amp; 23-24.</i>
<b>Final Examinations</b>			