

BF3394 – AUDITING AND PROFESSIONAL ETHICS

Module Number: BF3394

Module Title: AUDITING & PROFESSIONAL ETHICS

Number of Aston Credits: 10 credits

Total Number of ECTS Credits: 5 credits
(European Credit Transfer)

Staff Member Responsible for the Module:

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Pre-Requisite(s) for the Module: BF2211 Financial Accounting

Module Objectives/Learning Outcomes:

The purpose of this module is to explore the role of self-regulation and address some of the ethical issues faced by accountants and auditors, and to enable students to obtain a critical understanding of the practice and function of auditing in ensuring the accountability of organisations to interested parties.

Upon successful completion of the module students will be able to:

1. Understand the social, economic, legal and ethical responsibilities of auditors;
2. Highlight the interconnectedness of law and ethics and be aware of their legal and professional obligations;
3. Embed ethical thinking within their professional decision making process;
4. Show an increased sensitivity to potential ethical conflicts within auditing.
5. Explain the relevance of the concepts of materiality and audit risk to planning the audit;

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6. Discuss the importance of the business risk model for assessing audit risk and identifying high-risk audit areas;
7. Discuss the importance of reviewing and documenting the accounting system and the control environment;
8. Describe the audit procedures which are used to gather evidence and the ways in which that evidence is collected and evaluated;
9. Prepare and interpret auditors' reports, including reports qualified in response to disagreement and uncertainty;
10. Explain the meaning of going concern and identify indicators of non-going concern;
11. Discuss the roles of audit committees and internal auditing

Module Content:

The topics below listed in the week they are taught enhance and demonstrate the way the learning outcomes are fulfilled. Detailed reading guidance is also shown for some weeks.

Week	Lecture topics per week
1	Introduction to auditing and professional ethics
2	Why have an audit? UK Company audit requirements Auditing standards and guidelines The audit process
3	Risk-based approach to planning an audit Materiality and analytical review
4	Role of internal audit and audit committees Objectives and assessment of internal controls
5	Obtaining audit evidence and sampling Nature and sources of audit evidence
6	Audit reports and going concern
7	Professional ethics: context, content and debate; professional ethical codes; the relationship between law, ethics and individual morality
8	Introduction to ethical theories, Utilitarianism, Deontology, Ethical Relativism, Psychological Egoism, Feminism, Procedural v Distributive Justice and how such theories are relevant in the sense of yielding a more suitable description or leading to higher quality decision-making for professionals
9	Professional Codes of conduct: Discreditable acts; Resolving ethical conflict; Attaining and maintaining professional competence
10	Objectivity and professional competence: Principles and rules-based approaches to professional ethics; principles of objectivity and independence; Confidentiality Legal liability
11	Revision
12/13	Exam

International Dimensions:

The course implements the new developments in the International Standards on Auditing (ISAs) - along with the developments in UK auditing standards, which are issued by the International Auditing Practice Committee of the

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International Federation of Accountants (IFAC). The knowledge acquired has a particular relevance and interest to financial managers and especially chartered accountants, since there is an international interest and trend towards harmonisation.

Corporate Connections

A number of accounting firms collaborate with Aston Business School in many areas. Guest lecturers from the accounting firms and/or the professional accounting institutes may contribute to the module.

Links with Research

Both academic contributors in this module are research active in the areas of auditing, ethics and accounting and auditing education. Their research is discussed in lectures and tutorials throughout the module.

Learning and Teaching Rationale and Methods

The course will be taught by a combination of lectures, tutorials and required reading. There will be one 2-hour lecture per week. These will be used to convey the basic information of the topic to students and to outline the required reading.

A one-hour tutorial will be held once per week. Tutorials will be used to review practical exercises and for discussion of qualitative issues. We also discuss auditing published research papers during each tutorial in the first 5 weeks. Students will be required to prepare work in advance for the tutorials.

Students will be required to complete some reading between classes, both to aid technical knowledge and to develop an awareness of relevant current issues.

Method of Assessment and Feedback

Assessment will consist of one coursework which counts for 30% of final mark and a two-hour closed book final examination.

The coursework is group-based and anonymous, and involves one assignment of 2,000 words to be submitted in week 9. The purpose of the coursework is to test understanding of key auditing and professional ethics concepts and practices.

The examination contains a range of questions designed to cover the learning outcomes for the module and to test skill development. It aims to test knowledge and comprehension of the syllabus as well as testing students' ability to apply such knowledge in particular contexts. Questions require written answers, which test students' development of intellectual, communication and reasoning skills, as well as subject-specific knowledge.

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Learning hours

Contact hours:	lectures	22 hours
	tutorials	11 hours
Other hours	directed learning	15 hours
	private study	30 hours
	revision	10 hours
	assessment	10 hours
	examination	2 hours
	Total	100 hours

Ethical Approval

No primary research is expected to be done by students and no ethical approval is required.

Essential Reading:

I. Gray and S. Manson, (2008), *The audit process: principles, practice and cases*, Thomson Learning

M. Cheffers and M Pakaluk (2007), *Understanding accounting ethics*, 2nd edition, Allen David Press

S. Collings (2011), *Interpretation and application of International Standards on Auditing*, Wiley

K.H. Spencer Picket (2006), *Audit planning- a risk based approach*, Wiley

K. McPhail and D. Walters (2009), *Accounting and business ethics*, Routledge

Indicative Bibliography:

J. Dunn (2006), *Auditing: theory and practice*, 2nd edition, Prentice Hall

Arens, A., Best, P., Shailer, G, Fiedler, B. Elder R. and Beasley M. (2005), *Auditing and Assurance Services* (7th ed), Pearson Education (includes ACL software disk)

A. Arens and J. Loebbecke (2008), *Auditing: an integrated approach*, Pearson Education

J. Maltby (2006), *Cases in auditing*, 2nd edition, Paul Chapman Publishing Ltd

D. Walters and J. Dunn (2005), *Student's manual of auditing*, 6th edition, Thomson Learning

D. Guy, D. Carmichael and O. Whittington (2004), *Audit sampling: an introduction*, John Wiley & Sons Inc

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Callahan.J (1988) *Ethical Issues in Professional Life* Oxford University Press

Desjardins J (2003), *An Introduction to Business Ethics*, London: McGraw Hill.

Duska R.F (2005) *Accounting Ethics* Blackwell Publishing

R.T Wearing (2005), *Cases in corporate governance*, Sage publications

R. Duska, B. Duska and J. Ragatz (2011), *Accounting ethics (foundations of business ethics)*, Wiley-Blackwell

<http://www.frc.org.uk/apb/publications/ethical.cfm> - Auditing Practices Board Ethical Standards

Journals

Auditing: a Journal of Practice and Theory

International Journal of Auditing

Accounting Review

Journal of Accounting and Economics

Journal of Accounting Research

Journal of Business Finance and Accounting

British Accounting Review

Journal of Business Ethics

Business Ethics: a European Review

Journal of Ethics

Journal of Academic and Business Ethics

Business Ethics Quarterly

Journal of Business Ethics Education (JBEE).

Corporate Governance: An International Review,

Corporate Governance: the International Journal of Business

Newspapers/ Magazines

The Economist: www.economist.com

Financial Times: www.ft.com

Wall Street Journal: www.wsj.com

Institute of Chartered Accountants of England and Wales: www.icaew.com

Institute of Chartered Accountants in Scotland www.icas.org.uk

Institute of Business Ethics www.ibe.org.uk/

International Auditing and Assurance Standards Board <http://ifac.org/IAASB>