

UNIVERSITY OF ALBERTA
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING & MIS

ACCOUNTING 436
INNOVATIVE ASSURANCE SERVICES, INDEPENDENCE AND E-COMMERCE

COURSE OUTLINE

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Term B1, 2005

Class Time & Location:

Tuesdays and Thursdays, 14:00-15:20, BUS 1-06

Course website: <http://courses.bus.ualberta.ca/acctg436-gendron>

COURSE OBJECTIVES

Since the turn of the 1980s the accounting profession changed significantly. Developments in information and communication technologies have altered the ways in which businesses operate, thereby affecting several aspects of the work of professional auditors. In the mid-1990s, the market for financial statement auditing was often described as flat, or shrinking, and several leading accountants were arguing that accountancy had to diversify its services if it wanted to prevent its decline. Accordingly, the Canadian Institute of Chartered Accountants, jointly with the American Institute of Certified Public Accountants, identified and publicized a series of new assurance services that professional auditors can provide by building on the financial audit tradition, such as e-commerce assurance and ElderCare. The largest accounting firms have expanded considerably the types of services that they offer, to the point that some of these firms (before the collapse of Enron) preferred to designate themselves as multidisciplinary practices rather than public accounting firms.

As these and other changes were taking place in the profession, however, the accounting profession was facing an increasing degree of criticism. Auditor independence, which is frequently described as the cornerstone of the profession, has been the subject of an intense debate in North America – especially since the collapse of Enron and several other U.S. corporations. In reaction to Enron et al., the U.S. government adopted new regulation that significantly restricts the types of services that auditors are allowed to provide to auditees (i.e., the Sarbanes-Oxley Act of 2002), and Canadian authorities adopted a series of regulatory changes as well.

This course aims to provide students with an understanding of contemporary auditing, including some of the most recent innovative practices that professional auditors have developed, and some of the most significant challenges that they face. Importantly, the course does not intend to provide students with a black and white picture of the world; rather it seeks to prepare students for the ambiguous business world that they will encounter upon graduation. Emphasis will be on:

- Accountancy in Canada (e.g., its main challenges; differences between CAs/CGAs/CMAs);
- Development of auditing skills;
- Innovative auditing services (e.g., operational auditing; privacy auditing; ElderCare);
- Auditor independence, audit committees and CPAB (Canadian Public Accountability Board);

- Collapse of Andersen; and
- Electronic business (e.g., main risks involved, controls, role of professional auditors).

In particular, this course has been developed in response to concerns expressed by accounting practitioners about the way in which accounting is taught in business schools – which are summarized in a recent monograph.¹ For example, practitioners maintain that students should be confronted more often to ambiguous situations that are reflective of actual practice. Practitioners also argue that courses do not stress enough practitioner integrity, and tend to perpetuate the bookkeeping image of accounting rather than showing what accountants actually do. Practitioners also recommend instructors to rely more on diverse learning methods, such as teamwork, case analysis, writing assignments, and verbal presentations. This course (partially) relies on these methods. At the end of the course, it is hoped that students will be better equipped to deal with the challenges that accountants and other business people have to deal with in the labour market.

PREREQUISITES

ACCTG 311; MIS 311.

COURSE APPROACH

The course approach consists of lectures, cases and discussions. The cases will be typically discussed in small groups, and followed by a plenary session where groups will share their thoughts and the instructor will make observations.

This course is not an MIS course. Although e-business is a significant component of the course, emphasis is not on technical matters. Emphasis is rather on providing students with a *conceptual* understanding of e-business risks and controls.

COURSE MATERIAL

Available through the UofA bookstore:

A) Package entitled “Accounting 436 Course Package, Yves Gendron, Winter 2005”.

Available on the Internet:

B) *Final Accounting: Ambition, Greed, and the Fall of Arthur Andersen*. Toffler, B.L., and Reingold, J. 2003. Broadway Books.

1. Albrecht, W.S., and Sack, R.J. (2000). *Accounting Education: Charting the Course through a Perilous Future*. Monograph issued jointly by the American Accounting Association, American Institute of Certified Public Accountants, Institute of Management Accountants, Arthur Andersen, Deloitte & Touche, Ernst & Young, KPMG and PriceWaterhouseCoopers.

EVALUATION

Your grade in this course will be based on the marks you obtain on two term papers, and a two-hour comprehensive final exam. These marks will be weighted as follows to determine your percentage mark in the course:

Term paper #1 (in team of 4 to 5 students)	Written component	15%
	Verbal presentation component	5%
Term paper #2 (individually or in team of 2 students)		40%
Final exam	April 21, from 14:00 to 16:00	40%
TOTAL		100%

Term paper #1 has to be completed by teams of four to five students. The paper aims to investigate a topic of interest that is highlighted on the website of an accounting organization (accounting firm / institute or regulator). More information about the paper will be provided in due course. Length of the paper should be between 7 to 8 pages (double space). The paper has to be submitted at the date specified in the detailed schedule of the course (see below). Tardiness will incur a reduction of 33% of the total mark per day. The related verbal presentation has to take place at the time specified in the detailed schedule of the course. Students are encouraged to be creative in their presentations. Importantly, the participation of every group member will be assessed by the other members of her/his group – and the mark that a given student receives for paper #1 (written and verbal components altogether) will be adjusted if her/his participation to the project is deemed unsatisfactory by the other members. For more information see the peer evaluation form on the course website.

Term paper #2 has to be completed either individually or in a two-member team.² The paper's objective is to investigate – using publicly available information – either an auditing, corporate governance, or privacy issue or topic. The issue/topic is required to be approved by the instructor at the date specified in the detailed schedule of the course. A listing of potential issues/topics is available on the course website – though students may select an issue/topic that is not included in the listing. More information about the paper will be provided in due course. Length of the paper should be between 10 to 12 pages (double space). It is worth noting that students will be expected to search for information, disclose their sources of information, and interpret the information. The paper has to be submitted at the date specified in the schedule. Tardiness will incur a reduction of 33% of the total mark per day.

For paper #2, I expect students to go significantly beyond the material seen in class. Therefore be careful if you decide to work, say, on cultural shifts that occurred at Arthur Andersen.

The marking keys that will be used to mark paper #1 and paper #2 are available on the course website. In their papers, students are expected to provide descriptive information as well as thoughts, impressions, analysis and criticisms.

The final examination is open book. You will therefore have access to any written document that you bring along with you during the exam. If the final examination is not written at the appointed time, the instructor must be notified within 24 hours regarding the failure to write the examination. If there is an acceptable reason for such failure to write, a deferred final examination will take place on Sunday, May 1, at 8:00 AM, at the School of Business.

In determining the final grades in the course, all students' patterns of marks on the components described above will be reviewed. An exact correspondence of percentage marks to grades cannot be specified in advance.

2. With regard to paper #2, students who decide to work in a two-member team need to be aware that their individual participation will not be assessed by the other student – due to the lack of anonymity. Each team member will therefore receive the same mark for the paper.

ACADEMIC INTEGRITY

The University of Alberta is committed to the highest standards of academic integrity and honesty. Students are expected to be familiar with these standards regarding academic honesty and to uphold the policies of the University in this respect. Students are particularly urged to familiarize themselves with the provisions of the Code of Student Behaviour (online at www.ualberta.ca/secretariat/appeals.htm) and avoid any behaviour that could potentially result in suspicions of cheating, plagiarism, misrepresentation of facts and/or participation in an offence. Academic dishonesty is a serious offence and can result in suspension or expulsion from the University.

ACCOUNTING 436, DETAILED SCHEDULE

CLASS #	DATE	TOPIC	READING
1	January 11	Introduction	UofA library – ABI Inform database: Nichols (1995)
2	January 13	Overview of accountancy in Canada	Chapter 1 of any recent auditing/assurance textbook (Canadian edition)
3 & 4	January 18 and 20	Section 5025 of <i>CICA Handbook</i>	Course package / UofA library: Section 5025 of the <i>CICA Handbook</i> UofA library – ABI Inform database: Elliott (1996) UofA library – ABI Inform database: Duggan et al. (1999)
5	January 25	Audit risk model / Auditing in a lottery setting	Course package / UofA library: Section 5130 of the <i>CICA Handbook</i> Course package/website: Read before class the case: “Auditing in a lottery setting” and answer the question
6	January 27	Audit evidence (with a focus on interviewing)	Course package / UofA library: Section 5300 of the <i>CICA Handbook</i> UofA library – ABI Inform database: Brune (2003)
7 & 8	February 1 and 3	Operational auditing	UofA library: Sections of the <i>CICA Handbook</i> PS (Public Sector) 5000; 5400; 6410 <i>Report of the Auditor General of Canada</i> – March 2004, Chapter 3, National Security in Canada – The 2001 Anti-Terrorism Initiative. The report can be found at the website of the Office of the Auditor General of Canada: http://www.oag-bvg.gc.ca/ , under “Reports to Parliament BY Year”, and “Auditor General Reports – 2004”. Your reading should be focused on pages 1-8; 34-41. Answer the related questions in section 4 of the slides in the course package. Course website: Canadian Comprehensive Auditing Foundation, <i>Comprehensive Auditing – An Introduction</i> UofA library – ABI Inform database: Chadwick (1995)
9	February 8	Overview of financial auditing	UofA library: Sections 5100, 5200 and 5205 of the <i>CICA Handbook</i> If you did not buy the course package, print before class the December 31, 2003 annual financial statements of Big Rock Brewery Income Trust – available on www.sedar.com (April 7, 2004) Website of the ICAA – Brochure “Understanding Reports on Financial Statements”, www.icaa.ab.ca/publications/brochures.shtml .

CLASS #	DATE	TOPIC	READING
	February 10	NO CLASS	
10	February 15	Auditing and fraud	U of A library: Section 5135 of the <i>CICA Handbook</i> UofA library – ABI Inform database: Kim (2004) UofA library – ABI Inform database: Wells (2001)
11	February 17	All groups submit paper #1 Group presentation of paper #1	
12	March 1	Group presentation of paper #1 (continued)	
13	March 3	Day-to-day life in public accounting firms Finding information on the UofA library website Submission of a short document describing the topic of paper #2 (to get the instructor's approval)	Course package/website: Read before class the case "A day in the life..." and answer the questions Read chapters 1-3 of Toffler and Reingold's (2003) book (focusing on chapter 3)
14	March 8	Auditor independence	Course package / ICAA website: Read before class the <i>Guide to New Canadian Independence Standard</i> , http://weblink.icaa.ab.ca/pdf/GuidetoNewCanIndStndrd.pdf Read chapter 4 of Toffler and Reingold's (2003) book
15	March 10	Audit committees	Course package: Read before class the case (Enron's audit committee) in section 2 of the slides (including Appendix A of the 2001 proxy statement). Answer the questions. UofA library – Factiva: Lublin (2002) Website of the Ontario Securities Commission, Multilateral instrument 52-110 – Audit committees (March 26, 2004): http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part5/rule_20040326_52-110-audit-comm.jsp Read chapter 5 of Toffler and Reingold's (2003) book

CLASS #	DATE	TOPIC	READING
16	March 15	CPAB and Sarbanes-Oxley Act of 2002	Have a look at the website of the Canadian Public Accountability Board (CPAB): http://www.cpab-ccrc.ca/ Course package / CPAB website: Read before class the CPAB's Public Report on Initial Quality Inspections of the Four Largest Accounting Firms (October 6, 2004) and answer the questions in section 2 of the lecture notes. Read chapter 6 of Toffler and Reingold's (2003) book
17	March 17	Auditor independence – cases	Course package/website: Read before class case 1, Mariner Corporation, and answer the questions Course package/website: Read before class case 2, Report on Andersen by Court Examiner (Enron), and answer the questions Read chapter 7 of Toffler and Reingold's (2003) book
18	March 22	Professional ethics – other cases	Course package/website: Read before class sections 3 and 4 of the slides. Answer the questions. Read chapters 8 and 9 of Toffler and Reingold's (2003) book
19	March 24	The collapse of Andersen: Toffler vs. Morrison	Course package / UofA library: Read Morrison (2004). Answer the questions in the slides.
20	March 29	Introduction to e-business	UofA library – ABI Inform database: Côté (2001, March)
21	March 31	E-business risk management (part 1)	Course package/website: Read before class the case “Privacy Matters” and answer the questions.
22	April 5	E-business risk management (part 2) Submission of paper #2	Course package/website: Read before class the case “Free Kevin” and answer questions 5 and 6.
23	April 7	Privacy auditing	UofA library: Parker (2004) CICA website: AICPA/CICA Privacy Framework, available on: http://www.cica.ca/index.cfm/ci_id/258/la_id/1.htm (at the bottom of the web page). Your reading should emphasize pages 1-12; 46-59; and 76-80.
24	April 12	Case: Global Products Inc.	Course package/website: Complete before class the case “Global Products Inc.”. Do not read the marking key before answering. Once you answered the case, read the marking key.

CLASS #	DATE	TOPIC	READING
25	April 14	Case: PDI	Course package/website: Complete before class the case "PDI". Do not read the marking key before answering. Once you answered the case, read the marking key.
	April 21	Exam	

N.B.: This outline is subject to minor revisions as the course progresses. Revisions, if any, will be announced in class.

DETAILED REFERENCES

- American Institute of Certified Public Accountants / Canadian Institute of Chartered Accountants. (2004, March 22). AICPA/CICA Privacy Framework.
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- Toffler, B.L., and Reingold, J. (2003). *Final Accounting: Ambition, Greed, and the Fall of Arthur Andersen*. Broadway Books.
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