AG309 Governance and Accounting Ethics

2013/2014 SEMESTER 1

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Names of tutors: John Dunn & Margaret Stewart

CLASS DESCRIPTION

Governance issues have been debated at great length for many years, but have reached particular prominence in the aftermath of many of the major business scandals that have arisen since the 1990s. The publication of the Cadbury Report (since revised and repackaged as the UK Code on Corporate Governance) and the changes that have occurred on an international basis make it desirable to present the accounting aspects of governance and the study of ethics in an accounting setting as a separate class. This third year, one semester, 10 credit class is intended to provide an overview of the role of accounting within business and society more generally, building on the material introduced in AG207 Intermediate Financial Accounting and preparing for honours classes AG424 Accounting Theories, AG415 Contemporary Issues in International Financial Reporting, AG420 Auditing Theory & Practice, AG425 Corporate Governance and AG422 Accounting Ethics.

CLASS AIMS

The main aim of this class is to locate financial reporting within its wider social and business contexts. Accountants prepare and audit financial statements that have implications for all stakeholders. That creates an ethical dimension to the financial reporting process. Furthermore, there is a clear role for financial reporting in the maintenance of relationships between the reporting entity and the capital markets. This class will explore the resulting responsibilities arising for accountants in these roles.

LEARNING OUTCOMES

The following learning outcomes will contribute to your self-analysis and reflection in your Student’s Personal Development Planning (SPDP). These learning outcomes will be assessed using the methods explained in the “Assessment” section in this Outline.

Alternative formats of teaching materials are available on request. Please contact Jillian D’Agostino in the departmental office of Accounting and Finance.
Subject-specific knowledge and skills

On completing this class students will be able to:

A1 Understand the role of academic study and its relevance to the accountancy profession
A2 Discuss alternative perspectives on regulation
A3 Evaluate the history of corporate governance in accounting
A4 Analyse ethical dilemmas faced by accountants
A5 Explain the purpose of the external audit
A6 Appreciate the issues associated with auditor independence
A7 Understand the form and content of the external audit report
A8 Understand the auditor’s role in society

Cognitive abilities and non-subject specific skills

During the course you will

B1 Develop intellectual and professional competencies by thinking and problem solving, analysing, evaluating evidence, logical reasoning and practical applications.
B2 Develop communication skills – explaining, listening, discussion, questioning, presenting and defending a position, giving feedback.
B3 Develop intellectual understandings, clarifying concepts and theories by thinking, discussion, doing, observing and constructing connections.

FEEDBACK

Feedback for this class (and all other classes) takes two forms:

- formative feedback is used to give you the opportunity to reflect upon your understanding and progress on an ongoing basis throughout the class (and to deepen that understanding in the process)
- summative assessment is used to decide whether you have attained the learning outcomes and can be awarded the credits attached to this class

The primary formative feedback mechanism for this class is the provision of a weekly tutorial assignment. You are expected to complete all questions from each week’s assignment and to participate in a discussion of your findings. There is no formal mechanism to ensure that you

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prepare for tutorials in advance, but many of the skills that are required to do well in the exam do require a considerable amount of practice.

It is possible to understand the material in this class at an intellectual level and to be incapable of scoring an acceptable mark. The tutorial materials give you the opportunity to develop other skills, such as the ability to develop and support an opinion about the issues arising from the class materials.

If you find that you cannot produce satisfactory answers to tutorial questions, or that it takes an excessive amount of time (e.g. in comparison to the time available in the exam) for you to do so then you should seek assistance from the teaching team.

Summative assessment takes the form of an essay worth 10% of the overall mark, a presentation worth 10% and a final exam worth 80%.

Essays must be word-processed. They should be submitted by 12noon on Monday 4 November. Late submissions will be penalized in accordance with Faculty/Departmental policy.

**NB - Essays will not be marked if they are submitted in any kind of binder, folder or polythene pocket.**

You must score at least 36% in the final examination. If you do not achieve this then the mark returned to Registry will be the lower of your weighted average and 36%.

**Reassessment**

If you fail in January then you will be reassessed by an examination in August. Coursework marks are not carried over. You may find it helpful to seek some feedback from teaching staff prior to revising for any resit.

**ACCREDITATION**

This class includes some of the material required by the Institute of Chartered Accountants of Scotland for exemption from their TPS auditing examination, with the remainder to be covered in AG308 Auditing and Assurance. The Institute has been informed of the coverage in these two classes, but no formal guidance has been received as yet.

ICAS requires graduates of all universities to score at least 60% for auditing in third year for exemption purposes. In the absence of any definitive guidance, the teaching team recommends working on the assumption that you should average 60% across both AG309 and AG308 in order to achieve this exemption.

All queries concerning accreditation should be addressed to Richard Grey.

(Students who pass this class without achieving a mark of 60% may still be exempt if they take the auditing elective in fourth year.)

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TEACHING AND LEARNING

Lectures and tutorials

You will have a one hour lecture every week and a one hour tutorial every second week, with the first tutorial in week 3.

You should sign up for a tutorial on MyPlace. The upper limit on tutorial sizes will be enforced. Attendance at tutorials will be monitored. If your attendance is unsatisfactory then you will receive a warning letter, which will go on your departmental file. Continued failure to attend carries the risk of being NQ’d (i.e. deemed not qualified to sit the exam).

Tutorials will start in week 3.
LECTURE PROGRAMME

Reading

1 Margaret Corporate Governance

Agency

By the end of this week you should be able to:

- Explain agency theory
- Discuss the use of agency theory in understanding governance

2 University closed

3 Margaret Corporate Governance

Directors’ remuneration

By the end of this week you should be able to:

- Discuss the motivational effects of the main forms of executive remuneration
- Discuss the background to the accounting requirements of IFRS 2.

4 Margaret Ethical dilemmas

By the end of this week you should be able to:

- Discuss the processes associated with resolving ethical dilemmas
- Classify ethical duties as positive or negative and explain the significance of this classification

5 Margaret Moral development

By the end of this week you should be able to:

- Discuss the stages of moral develop as identified by Kohlberg

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- Discuss the findings of studies of accountants’ moral development

6 Margaret **Ethics rules**

*By the end of this week you should be able to:*

- Discuss the requirements of the Code of Ethics for Professional Accountants
- Discuss the specific issues associated with ensuring the independence of external auditors

7 John **Audit and financial reporting**

*By the end of this week you should be able to:*

- Discuss the external auditor’s role

8 John **Regulating audit**

*By the end of this week you should be able to:*

- Discuss the need for the regulation of external audit
- Discuss the findings from regulators’ visits to major audit firms

9 John **The structure of an audit**

*By the end of this week you should be able to:*

- Describe the broad approach to forming and supporting an audit opinion

10 John **Audit reporting**

*By the end of this week you should be able to:*

- Discuss the form and content of the external auditor’s report

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• Discuss the significance of qualified audit reports

11 John  **Expectation gaps**

*By the end of this week you should be able to:*

• Discuss the audit expectations gap

12 John  **The auditor’s liability**

*By the end of this week you should be able to:*

• Discuss the auditor’s liability to users of audited financial statements
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<th>%</th>
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<td>80 – 100</td>
<td><strong>Outstanding demonstration of learning outcomes:</strong></td>
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<td>• wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight and originality</td>
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<td>• evidence of reading and thought beyond course/assignment materials</td>
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<td>70 – 79</td>
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<td>• wide appropriate knowledge and understanding (and where appropriate effective project work) with only occasional lapses in detail</td>
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<td>• basic knowledge and understanding (and where appropriate basic project skills)</td>
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<td>• some relevant information and limited understanding (and where appropriate some project work completed under supervision)</td>
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