Auditing: Theory and Practice
AG420
2014/2015 Semester 1

NAME OF LECTURER
John Dunn

ROOM NUMBER
Curran 3.63

TELEPHONE EXTENSION
3893

E-MAIL ADDRESS
JOHN.A.DUNN@STRATH.AC.UK

CLASS DESCRIPTION
The class will discuss the nature and purpose of the external audit of financial statements. It will do so through an examination of the formal institutional framework (e.g. the work of the International Federation of Accountants), the informal framework (e.g. the Big Four audit firms) and the processes underlying the collection of audit evidence and reporting of results.

The class will adopt the perspective of the institutions and participants in the audit process themselves. This will necessarily require an agency-based approach to the discipline. While the limitations of this approach will be addressed in the passing, it is intended that students will see this class as a counterpoint to the more rigorous and theoretically motivated classes that are presently offered in the honours programme.

This class will build directly on the third year core classes AG308/9. Introducing the subject at that level necessarily requires that a significant amount of class time be devoted to coverage of the practical and procedural aspects of forming an audit opinion and reporting thereon. The scholarly underpinnings of the subject are discussed to the fullest extent possible, but there is insufficient time to do justice to this material.

This class builds on AG308/9. This means that the class can proceed directly to the academic literature underpinning topics that have been introduced from a more practice oriented perspective in the third year.

CLASS AIMS
To deepen understanding of and to stimulate discussion on the vital topic of external audit. Most of this material will be approached from the perspective of an “immanent critique”.

Please contact Jillian D'Agostino in the departmental office of Accounting and Finance if alternative formats of teaching materials are required or if you need any other assistance.
KEY TOPICS
1. Understand the agency-based perspective on financial reporting and its regulation.
2. Justify the need for audit
3. Explain the economic forces that shape the audit market
4. Explain the problems associated with measuring and demonstrating auditor independence
5. Explain the processes underlying the gathering of audit evidence and expressing an audit opinion
6. Explain the economic implications of presenting an audit opinion
7. Explain the economic dilemmas created by the need for auditors to be accountable for their actions

TRANSFERABLE SKILLS
Ability to formulate opinions and to support these with reasoned argument.

CLASS STRUCTURE
You will have three hours of class contact every week. Each week’s lecture period will be divided into two sessions. The first will be spent discussing the previous week’s readings, initially in small groups and subsequently as a class. This is by far the most important part of the class and will – hopefully – take up more than an hour. The second part of the lecture will comprise an overview of the following week’s material.

Tutorials will be devoted to a discussion of further readings that will be selected and summarised by the class and of scenarios based on real events.

You will get very little out of this course unless you take an active part in reading and classroom discussion.

READING
Most readings will be drawn from refereed journals. The emphasis will be on (hopefully constructive) criticism. You are bound to both read and hear things with which you disagree.

EXAMINATION/MODES OF ASSESSMENT
- Short essay on introductory material, to be submitted by week 7 (10%)
- Long essay on major themes of course (40%), to be submitted at the end of the course.
- Final examination (50%)

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