

<b>Subject Code</b>	<b>AF5201</b>
<b>Subject Title</b>	<b>Auditing Framework</b>
<b>Credit Value</b>	3
<b>Level</b>	5
<b>Pre-requisite / Co-requisite/ Exclusion</b>	Co-requisite: Accounting for Corporations (AF5111)
<b>Role and Purposes</b>	The subject provides students with a set of basic concepts and methodology of the modern auditing and assurance services, with a focus on the financial statement audits. The subject emphasizes the audit process, reporting and current issues affecting auditing and assurance services. It contributes to the achievement of the PgDPA / MPA Programme Outcomes by enabling students to apply and evaluate contemporary development and framework in Auditing (Outcome 1) and analyze and evaluate the ethical issues facing professional accountants (Outcome 3).
<b>Subject Learning Outcomes</b>	On successfully completing this subject, students will be able to: <ul style="list-style-type: none"> <li>(a) <u>explain the concepts of modern auditing</u> and assurance services, the objectives of auditing and professional standards;</li> <li>(b) <u>apply basic skills</u> of managing, designing and implementing methodologies for examining, verifying, evaluating and reporting on financial organizations;</li> <li>(c) <u>explain the underlying concepts and objectives of internal control and audit risk</u> as well as ethical principles; and</li> <li>(d) <u>analyze the major ethical issues in accountancy</u> and of the conduct expected of professional accountants by HKICPA.</li> </ul>
<b>Subject Synopsis/ Indicative Syllabus</b>	<p><b>An Overview of Auditing, and Legal, Professional and Ethical Requirements</b>  Nature and objective of auditing and assurance services. Types of audit. Independence and professional ethics. Hong Kong Companies Ordinance requirements and Auditing Standards in Hong Kong.</p> <p><b>Audit planning, Materiality, Audit Risk, Sample Testing and Evidence</b>  Engagement planning and its importance. The assessment of materiality and audit risk. The audit-risk model. Non-statistic sample testing and evidential matters. Types of audit tests.</p> <p><b>Internal Control and Internal Audit</b>  Concept of internal control and components of internal control systems. Effectiveness of internal control system on audit strategies and audit testing. Concept of internal audit. Differences between internal &amp; external audit. The assessment of and reliance on internal audit.</p>

**Methodologies for Examining the Financial Statements**  
 Audit of sales and collection cycle, purchases and payment cycle, and payroll and personnel cycle, properties, plants and equipment, and inventory.

**Auditing IT Systems**  
 Understanding the impact of IT on internal control structure and audit. Computer auditing techniques and computer audit tools in auditing IT systems.

**Completing the Audit and Reporting**  
 Procedures in completing the audit and different types of audit reports.

**Teaching/Learning Methodology**  
 The three hours of lecture per week will be used flexibly by the instructor for discussion of core concepts of subject syllabus and their applications with students and for carrying out other learning activities with them. Students are expected to play an active role to share their views and experiences with their instructor and other classmates.

**Assessment Methods in Alignment with Subject Learning Outcomes**  
 Assessment components include essay question, seminar presentations, test and final examination. These assessment components assess students' up-to-date knowledge of auditing and their ability to apply and evaluate contemporary development and framework in Auditing (Programme Outcome 1) as well as their ability to analyze the major ethical issues facing professional accountants (Programme Outcome 3).

Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)					
		a	b	c	d	e	
Mid-term test	25%	√	√	√	√		
In-class discussion, case presentation & participation	25%	√	√	√	√		
Final examination	50%	√	√	√	√		
Total	100 %						

Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:

Mid-term test - A practical audit case(s) requiring students to analyze the facts/audit issues and apply relevant auditing concepts, standards and procedures to provide appropriate solution.

In-class discussion, case presentation & participation – Students are required to actively participate in in-class discussion of questions or short cases to

	<p>consolidate the materials covered in the lecture and to help crystallising the concepts learnt as well as their applications. Students are also required to present a practical case(s) on the various aspects related to basic auditing skills and auditing concepts on a group basis.</p> <p>Final examination – 3 hours examination testing students’ understanding of fundamental auditing concepts, and ability to analyze the given facts/audit issues and apply relevant auditing concepts, standards and procedures to provide appropriate solution.</p> <p><b>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.</b></p>	
<p><b>Student Study Effort Required</b></p>	<p>Class contact:</p>	
	<ul style="list-style-type: none"> <li>▪ 13 weeks of 3 hours seminar each</li> </ul>	<p>39 Hrs.</p>
	<p>Other student study effort:</p>	
	<ul style="list-style-type: none"> <li>▪ Students are on average expected to spend around 2 hours for each contact hour for reading subject material/textbook, doing presentation discussion and written report</li> </ul>	<p>78 Hrs.</p>
	<p>Total student study effort</p>	<p>117 Hrs.</p>
<p><b>Reading List and References</b></p>	<p>Leung, P., P. Coram, B.J. Cooper and P. Richardson, <i>Audit and Assurance</i>, Wiley (latest edition).</p> <p>Arens, A.A., R.J. Elder, M.S. Beasley, C.E. Hogan, <i>Auditing and Assurance Services</i>, Global Edition, (latest edition).</p> <p>The Hong Kong Standards on Auditing and Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants.</p>	