

## **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)

**Contributing School:** Aston Business School

**Percentage of Contribution:** 100%

**Staff Member Responsible for the Module:**

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Availability: Please see office hours on door or group administrator, Ms Rosaleen Shirley, ABS 404, Extension 3238

**Other Staff Contributing to the Module:**

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Availability: Please see office hours on door or group administrator, Ms Rosaleen Shirley, ABS 404, Extension 3238

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

### **Accreditation/Exemptions from Professional Examinations**

Please be aware that this module may contribute to the professional accreditation of some ABS Programmes and/or allows students to gain exemptions from further study.

### **Aims of the Module**

This module studies the development of major auditing concepts demonstrating how these are applied in practice, and equips the students with the latest knowledge of auditing. Both the process of auditing and the

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rationale for providing assurance will be studied, in their legal and ethical context.

### **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. It is not intended to train potential auditors. However, the module does seek to lay a sound foundation on which any such training may be based.

Upon successful completion of the module students should have acquired the following skills:

- **Professional Skills**

Obtain a critical understanding of the practice and function of auditing; embed ethical thinking within their professional decision making process; show an increased sensitivity to potential ethical conflicts within auditing; identify ethical issues in the auditing function and recommend appropriate actions;

- **Intellectual Skills**

Understand the social, economic, legal and ethical responsibilities of auditors; highlight the interconnectedness of law and ethics and be aware of their legal and professional obligations;

- **Knowledge & Understanding**

Explain the relevance of the concepts of materiality and audit risk to planning the audit; discuss the importance of the business risk model for assessing audit risk and identifying high-risk audit areas; discuss the importance of reviewing and documenting the accounting system and the control environment; describe the audit procedures which are used to gather evidence and the ways in which that evidence is collected and evaluated; prepare and interpret auditors' reports, including reports qualified in response to disagreement and uncertainty; explain the meaning of going concern and identify indicators of non-going concern; discuss the roles of audit committees and internal auditing

- **Transferable Skills**

Issue, identification and application ability; report writing and effective written communication skills; team working skills; research techniques and the ability to present research findings; assess and evaluate own work and identify key learning points from feedback; time management; critical thinking

### **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 International Federation of Accountants (IFAC). The knowledge acquired has

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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 as well as other relevant academic papers are discussed in lectures and tutorials throughout the module.

### Ethics, Responsibility and Sustainability

The module discusses the issues of ethics, responsibility and sustainability that auditors face through the study of auditors' professional ethics, international standards, and codes of conduct.

### Ethical Approval for Research

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

### Module Content

The topics below listed in the week they are taught enhance and demonstrate the way the learning outcomes are fulfilled.

<b>Week</b>	<b>Lecture topics per week</b>
1	Introduction to auditing and professional ethics
2	Risk assessment, Audit evidence, Audit planning matters
3	Internal Controls, Internal Audit
4	Tests of Internal Controls, Final Work: Assets & Liabilities
5	Sampling, Materiality, and Audits in post-balance sheet period
6	Auditor Reporting, 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

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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

### Methods of Delivery

Scheduled study:	lectures	22 hours
	tutorials	11 hours
Independent study:	directed learning	15 hours
	independent and private study	32 hours
	revision	10 hours
	assessment/coursework	10 hours
	<b>Total</b>	<b>100 hours</b>

### Learning and Teaching Rationale

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.

### Assessment Methods and Rationale

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 11. The groups are randomly formed by the UG office. 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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### Essential Reading:

**I. Gray and S. Manson, (2011), *The audit process*, 5<sup>th</sup> Revised Edition, Cengage Learning**

M. Cheffers and M Pakaluk (2007), *Understanding accounting ethics*, 2<sup>nd</sup> 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*, 2<sup>nd</sup> edition, Prentice Hall

Arens, A., Elder R. and Beasley M. (2009), *Auditing and Assurance Services: an integrated approach: Global edition* (13<sup>th</sup> edition), Pearson Education

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

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

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

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

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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](http://www.economist.com)  
Financial Times: [www.ft.com](http://www.ft.com)  
Wall Street Journal: [www.wsj.com](http://www.wsj.com)  
Institute of Chartered Accountants of England and Wales: [www.icaew.com](http://www.icaew.com)  
Institute of Chartered Accountants in Scotland [www.icas.org.uk](http://www.icas.org.uk)  
Institute of Business Ethics [www.ibe.org.uk/](http://www.ibe.org.uk/)  
International Auditing and Assurance Standards Board <http://ifac.org/IAASB>