

## **ACC 440-01: Auditing Concepts**

### ***COURSE SYLLABUS***

Fall 2011, M&W 3:30-4:45 p.m.

**Course Description:** Concepts underlying audit process, procedures used in external auditing, statistical application, preparation of audit programs, and reports.

**Instructor:** Dr. Venkat Iyer, Ph.D., CPA

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**Prerequisites:** Grade of C or better (a C- is not sufficient) in ACC 319 and ACC 325.

**Learning Objectives:** At the end of this semester, you should be able to

1. Define auditing and assurance services and describe the environment that affects these.
2. Discuss the professional standards affecting auditing.
3. Define audit risk and materiality; identify and explain the characteristics of audit evidence.
4. Describe how an auditor obtains and documents evidence.
5. Describe internal control structure and its effect on the audit.
6. Discuss the impact of information technology on the audit process.
7. Identify and describe the nature of analytical procedures.
8. Describe the planning phase of the audit engagement and audit documentation.
9. Discuss the audit reporting options available to an auditor.
10. Describe the tests of controls and substantive tests of cash balances and the revenue cycle.
11. Describe the tests of controls and substantive tests of accounts payable and expenditure cycle.
12. Describe internal and governmental financial auditing and operational auditing.

**Office Hours:** T/Th 12:30 – 1:30 p.m.; M/W 1:00 – 2:00 p.m. and by appointment

Any time I am in my office you may call or stop by to ask any questions pertaining to the class. Please call 256-0187 (you can leave a message if I am not there) or e-mail me if you wish to set a specific appointment.

### **Required Materials:**

1. Auditing: An Integrated Approach, 13/e by Arens, Elder, and Beasley. Prentice Hall.
2. Integrated Audit Practice Case, 4th edition, by Kerr, Elder & Arens
3. Reading List (links provided in Blackboard web site)

**Optional:** Gleim Auditing & Systems Exam Questions and Explanations.

It is important for you to get in the habit of keeping up with the latest news, information, and trends in the fields of accounting and auditing. As an easy way to stay current, I suggest that you register with CFO.com where you can subscribe to free newsletter and email alerts for accounting and auditing topics. Go to <http://www.cfo.com/subscribe/>. You will receive emails daily, many of which are relevant to the world of auditing. The articles are very concise and easily understandable.

Another great source of information is the Wall Street Journal. Although not free, it is a valuable source of information and it only costs about \$30 for a one semester subscription. This will entitle you to the print edition, as well as the online content. Similar to CFO.com, you can request alerts on various topics.

### **Companion website:**

A companion website for the Arens et al. Auditing and Assurance textbook is available at [http://wps.prenhall.com/bp\\_arens\\_audit\\_13/](http://wps.prenhall.com/bp_arens_audit_13/). This website contains information that may be helpful in preparing for class and for exams.

### **Additional Topics and Emphasis of ACC 440**

As part of providing an integrative learning experience with other courses you will take in the Bryan School we will intentionally emphasize certain general business concepts, perspectives and skills. Please review the following to see what you can expect:

1. Moderate coverage of technology issues, developments, and applications.
2. Heavy coverage of ethical issues. Ethical issues will be addressed in the context of control and security in various systems. They will be reinforced through video presentations and cases.
3. Little or light coverage of political, diversity, and environmental issues.
4. Moderate to heavy coverage of written communication skills. I will collect and grade chapter assignments. Exams will include a substantial portion of essay content.
5. Moderate coverage of oral communication skills and medium coverage of group skills.
6. Light to moderate coverage of international issues in the context of globalization and international auditing.

### **Performance Evaluation:**

All students are required to follow the provisions of the UNCG Academic Integrity Policy in completing course work. Tentatively, it is planned that course grades will be based upon:

Three regular exams (including Final)	- 65%
Chapter assignments (Homework)	- 7.5%
Quizzes and In-Class Assignments	- 7.5%
Integrated Audit Practice Case	- 20%

The grade scale is based upon **percent of points** earned on each item. Appropriate cutoffs for letter grades will be determined at the end of the course.

**Keep a record of all points possible and earned on each item. This will make it easy for you to determine your exact grade status throughout the course.**

### **Assignments: Due dates and format guidelines**

All the assignments are due at the beginning of the class. Please use word processors and submit the printouts. Use software features to check spelling and grammar. However, **DO NOT** assume that the software will catch all errors. Please proofread your work carefully. **Spelling, sentence structure and grammar errors will reduce your grade.** Be sure to cover all assignment parts. Use headings for each part.

**Late assignments:** If you have an excused absence, please try to e-mail me the assignment on or before the due date. Late assignments will not be accepted except in rare circumstances.

## CLASS FORMAT

Class sessions will consist of lectures, class discussions, and in-class exercises. Lectures will highlight important concepts and provide examples of audit applications. Lectures are not a complete substitute for careful study of the assigned readings. All lecture slides are available to students on the BlackBoard web site. I will try to post lecture slides 24 hours before each class in case you want to print copies of the slides to bring to class. I expect that you will have read the material in advance and will be prepared to discuss the topic – see the last page of this syllabus for a tentative schedule. We will then discuss one or more of the assigned problems for the topic, usually in the next class. The assigned problems are to be solved before they are reviewed in class and will be collected *periodically*. Collected assignments will be evaluated for effort and will provide the basis for your homework grade.

*Regardless of the method used to present material (team presentations, group work, lecture, etc.), you are encouraged to actively participate in the class. If you have questions, ask them. If the discussion is related to your job experience or you can add to the discussion, please contribute. The class will be much more rewarding and interesting if you take an active role in it! Auditing is as much about technical ability as it is about knowing how to research problems and how to communicate with clients and other professionals*

## ATTENDANCE

Class attendance is **required**...as attendance is expected in business! Much of what we will do in this class will involve student discussion. You cannot participate and learn from this discussion if you do not attend. Plan to arrive on time and stay the entire period. More than one unexcused absence will result in the reduction of course grade by **one letter grade**.

**If you cannot attend a class, please bring a written excuse or e-mail me. Make-up exams will not be given except in very rare circumstances. You should contact me immediately if you cannot attend on the exam date.**

**You cannot make up quizzes and in-class assignments.**

**Backup Copies of Assignments:** Please keep a backup copy of any material (hard or soft copies) submitted to me.

**Corrections of Scores:** If you believe there is a mistake in grading, you must bring it to my attention **within one week** of the item's grading.

**Laptop Use:** Laptops should strictly be used for taking notes and follow the powerpoint slides. They should be closed during class discussions and class assignments.

## **Specific Assignments**

- 1. Chapter Assignments:** I will assign some of the end-of-chapter exercises and problems for you to complete and turn in. These will be collected and graded on the due dates. There will also be in-class assignments that I will collect and grade.
- 2. Cable Co. Case:** We will watch a series of episodes of an audit of Cable Co. After each episode, you will form groups and discuss the video and answer a set of questions.

3. **Audit Practice Case:** Instructions will be provided later.
4. **Exams:** Exams are not cumulative. However, topics covered later in the semester may be based on concepts studied early in the semester. Exams will contain some objective type questions and short answer questions. **Exams may contain questions from any of the materials discussed in class including journal articles and video presentations.**

*Note: Auditing requires mastery of the standards and techniques as well as good judgment, communication, and listening skills. In this class, we will attempt to learn these skills. You will have to put in sufficient time and effort to prepare for each class meeting as well as for the exams.*

### **CPA Examination preparation**

While this class is not intended to be a preparatory or review class for any professional examination, much of the content addressed in the auditing section of the CPA Exam will be covered. I strongly encourage you to view the course in the broader perspective of an overview of the services provided by public accounting firms rather than in the narrow perspective of preparation for a standardized exam. I will be glad to discuss with you my views and insights on the CPA exam, and will provide you with several useful resources to help you prepare for it.

**Important Dates:** Please refer to

<http://www.uncg.edu/reg/Calendar/acaCal/fall.html> for important dates.

### **Academic Honor Policy**

The Academic Honor Policy, administered by the Vice Chancellor for Student Affairs, is described in detail in the Policies for Students handbook (Please refer to <http://academicintegrity.uncg.edu/>). Students are responsible for becoming familiar with the Honor Policy in all its aspects and for indicating their knowledge and acceptance of the Honor Policy by signing the honor pledge for all major work submitted. Students should recognize their responsibility to uphold the Honor Policy and to report apparent violations to the appropriate persons.

Every assignment is to be completed according to the University's honor code. By including your name or social security number on your work, you are confirming that you followed the honor code, without exception. All assignments submitted shall be considered graded work, done by the individual—except for noted group projects. [Group projects will be clearly noted on the class syllabus.] Any work turned in by a group, must be work done only by that group. If any student suspects a student or group of cheating, please inform me immediately. Honesty in your academic work will develop into professional integrity. A pattern of similar wording among papers or with solutions from prior semesters will be considered prima-facie evidence of plagiarism.

It is my policy to collect and retain all examination materials. This means that students are to return all test materials (test documents, scrap paper, etc.) to the instructor immediately after completion of the examination. Notes, textbooks, and other reference materials may not be used unless specifically authorized by the instructor for the particular exam. Students should feel free, however, to request a review of examination results during regular office hours.

## **Student Conduct**

To respect the learning environment for all students, no disruptive behavior is permitted in class. During class lectures and all exams, please turn off cell phones (or set to vibrate) and other electronic devices. You may not leave the room or communicate with anyone during the test. I have included the links to the University and Bryan School conduct policies for your reference:

<http://studentconduct.uncg.edu/policy/code/>  
[www.uncg.edu/bae/faculty\\_student\\_guidelines.pdf](http://www.uncg.edu/bae/faculty_student_guidelines.pdf)

Please familiarize with the disruptive behavior policy which is available on-line at <http://deanofstudents.uncg.edu/policy/>. It states that

“The instructor may withdraw a student from a course for behavior that is deemed by the instructor to be disruptive to the class. The grade assigned will be “W” if the behavior occurs before the deadline for dropping a course without academic penalty, and the instructor has the option of giving a “W” or a “WF” if the behavior occurs after the deadline.”

I will drop any student found to be using the laptop for any purpose other than for taking notes or for reading the power point slides. Similarly, reading or working on materials not pertaining to ACC 440 during the class will be considered disruptive behavior.

## **Students with Disabilities**

If you have a documented disability for which you need special arrangements, please contact the Student Disability Services Office. Their website is: <http://ods.dept.uncg.edu/services>  
Any requests for special accommodations must come through that office with the appropriate paperwork.

## **Adverse Weather**

The University of North Carolina at Greensboro will remain open during adverse weather conditions unless an administrative decision on changing work and class schedules is made by the Chancellor. Students can receive details on the UNCG home page ([www.uncg.edu](http://www.uncg.edu)), or by dialing three campus telephone numbers: Adverse Weather Line (336-334-4400); Campus Switchboard (336-334-5000); and University Police (336-334-5963).

### ACC 440 Fall 2011 Class Schedule

I expect the following schedule will be close to what we follow. However, it may be necessary to spend more/less time on some topics that could change our plans. If changes are needed, I will tell you of changed due dates during class. You should be prepared to turn in the assignments shown in **bold**.

Date	Topics	End-of-chapter assignments
<b>Aug 22</b>	Introduction	
<b>Aug 24</b>	Chapter 1. The Demand for Audit and Assurance Services	Ch 1 - 17&19
<b>Aug 29</b>	Chapter 2. The CPA Profession	Ch 2 – 19 &21
<b>Aug 31</b>	Chapter 4. Professional Ethics	Ch 4 – 21 & 30
<b>Sep 5</b>	Chapter 6. Audit Responsibilities and Objectives ZZZZ Best Video	Ch 6 – 25 & 27
<b>Sep 7</b>	APC Discuss	
<b>Sep 12</b>	Chapter 6. Audit Responsibilities and Objectives	
<b>Sep 14</b>	Chapter 7. Audit Evidence	Ch 7 – 34 & 35
<b>Sep 19</b>	Review	
<b>Sep 21</b>	<b>Exam 1</b>	
<b>Sep 26</b>	Chapter 8. Audit Planning and AP	
<b>Oct 3</b>	Chapter 8. Audit Planning and AP	
<b>Oct 5</b>	Chapter 9. Materiality and Risk PWC Video - Part 1	
<b>Oct 10</b>	APC Discuss	
<b>Oct 12</b>	Chapter 10. Internal Control and Control Risk PWC Video - Part 2	
<b>Oct 17</b>	Chapter 10. Internal Control and Control Risk	
<b>Oct 19</b>	<b>Fall Break</b>	
<b>Oct 24</b>	Chapter 11. Fraud Auditing PWC Video - Part 3	
<b>Oct 26</b>	Chapter 13. Overall Audit Plan and Audit Program  PWC Video - Part 4	
<b>Oct 19</b>	Review	
<b>Oct 24</b>	<b>Exam 2</b>	
<b>Oct 26</b>	Chapter 14. Audit of the Sales and Collection Cycle. Tests of Controls and Substantive Tests. PWC Video - Part 5	
<b>Oct 31</b>	Chapter 14. Audit of the Sales and Collection Cycle. Tests of Controls and Substantive Tests.	

<b>Date</b>	<b>Topics</b>	<b>End-of-chapter assignments</b>
<b>Nov 2</b>	Chapter 16. Accounts Receivable	
<b>Nov 7</b>	Chapter 19. Audit of the acquisition and payment cycle	
<b>Nov 9</b>	Chapter 23. Audit of Cash Balances	
<b>Nov 14</b>	APC Discuss	
<b>Nov 16</b>	Chapter 3. Audit reports	
<b>Nov 21</b>	Chapter 3. Audit reports	
<b>Nov 23</b>	<b>Thanksgiving</b>	
<b>Nov 28</b>	Chapter 24. Completing the Audit	
<b>Nov 30</b>	Chapter 26. Internal and Governmental Financial Auditing and Operational Auditing	
<b>Dec 5</b>	<b>Review</b>	
<b>Dec 9</b>	<b>FINAL EXAM 3:30 to 6:30 p.m</b>	