

UI: AUDITING 06A: 144 (ACCT 4100)
(KU:ACCT 543 INTRODUCTION TO AUDITING)

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SCHOOL OF BUSINESS HONOR SYSTEM

The faculty, instructors, and students of the KU School of Business have pledged to fulfill our mutual responsibilities to each other and the academic community at large with honor and integrity in order to build and maintain a climate of respect and trust that will enhance our research, teaching, and learning. We will support the Honor System of the School and will not tolerate activities that undermine academic integrity. As a student in this course, you will be protected by and expected to conduct yourself in accordance with this Honor System.

ACADEMIC ACCOMMODATIONS, GRIEVANCES, HARASSMENT

If you have a disability that may require some modification of seating, testing, or any other class requirement, please let me know as soon as possible so that appropriate arrangements can be made.

Student concerns about this course should first be discussed with me. If we can't resolve the issue, you may contact the Accounting Dept. Chair, Douglas DeJong at 319-335-0909, douglas-dejong@uiowa.edu. If this does not resolve the issue, you may contact the Associate Dean of the Tippie College Undergraduate Program, Lon Moeller, at 319-335-0924, lon-moeller@uiowa.edu.

We are committed to providing students with an environment free from sexual harassment. If you feel you are being or have been harassed or you are not sure what constitutes sexual harassment, please visit the Iowa University website, <http://www.sexualharassment.uiowa.edu/index/php>, and seek assistance from dept. chairs, the dean's office, or the Ombudsperson, ombudsperson@uiowa.edu.

OVERVIEW OF COURSE

Course Objectives: This is an introductory course in auditing for students with limited previous exposure to auditing. The main objectives are to enable you to:

1. Describe the auditing/assurance services environment
2. Explain the key auditing concepts and how they drive the audit
3. Describe how to accumulate and interpret audit evidence and document the results
4. Describe the impact of information technology on the audit process
5. Apply selected statistical sampling methods in auditing
6. Describe the process involved in completing the audit
7. Describe the basic types of audit reports for publicly-held and non-publicly-held companies

Nature of the Course

The course will be conducted using a mixture of lecture/problem solving and cooperative/team learning which strongly encourages student participation. Students are expected to study the chapter readings and other assigned materials in depth prior to each class meeting, and to solve any problems indicated on the syllabus. Key problems or handouts will be worked in class as time permits. At all times you are expected to develop and maintain an appropriate professional attitude and pride of workmanship.

MATERIALS

Arens, Alvin A., Randal J. Elder and Mark S. Beasley. Auditing - An Integrated Approach. 15th Edition. Englewood-Cliffs: Prentice-Hall, Inc., 2014. (AEB)
Course Pack

GRADING

	<u>Points</u>	<u>Coverage</u>
Exam I	100	Material through previous class meeting
Final Exam	120	Material TBA—mostly comprehensive
Written Cases (10 + 50)	60	
Written Textbook Problems	50	
Class Participation and Presentation	40	
Group Evaluations	<u>30</u>	
TOTAL:	<u>400</u>	

Exams: Students are expected to be in attendance for both exams. If you have an acceptable excuse for missing an exam (death in the family, provable illness), you are responsible for informing me and obtaining permission to miss the exam before the exam takes place. Failure to obtain permission is an unexcused absence and a grade of zero will be assigned for you on that exam. If you have an acceptable excuse and permission from me to miss exam #1, the relative weight of the final exam will be modified to compensate for the missed exam.

Written assignments. You are to prepare all written assignments in the course as teams. We normally can accomplish and learn more as teams than we can as individuals. One of the objectives of the team approach to these assignments is to encourage you to learn from one another. You will work as teams, but always remember: you are individually responsible for every item submitted as a team. Take pride in your work. There are two types of written assignments: cases and problems.

Cases. Depending on course enrollment, there will be 4 students per team for cases. The cases require more writing than the problems, and part of the basis for grading them will be your communication skills. Each of the cases is clearly identified in the syllabus. Requirements/instructions for each case will be provided on a timely basis. Each case is worth 25 points, so that a total of 50 points can be earned on the cases. Due dates are indicated in the syllabus. Any case handed in later than class time on the due date will lose 10% of the grade for each class it is late.

Problems. Depending on course enrollment, there will be 2 students per team for problems. Problems identified as "written" in the syllabus are to be prepared in good form (= using word processing or spreadsheet software if possible; at a minimum, they must be neat and easy to read), and turned in at the class session shown. Each of these problems will be graded on a 10-point scale. These points will be accumulated throughout the term. The total you earn as a percentage of the total possible $\times 50 =$ the number of written textbook problem points you receive. Late submissions are unacceptable without prior approval.

Academic Integrity. No students in this class may submit work which is not their own. If I determine that any assignment was not written solely by the students whose names appear on the assignment, the students will receive a zero (0) for the assignment and may receive an F for the course. All incidents of cheating will be reported to the Senior Associate Dean of the Tippie College of Business.

Class Participation and Presentation. Research has shown that students learn and retain more if they participate in the learning process. I encourage your participation by giving you credit for it. Class participation generally refers to your having something to say or contribute. Presentation generally refers to how well you say it. Sometimes you will be called upon to participate/present. Other times you will be caught up in the thrill of the moment and volunteer. As suggested by the grading points allocated to this area, it is very important that you participate during class.

Grades. Letter grades will be assigned based on my overall evaluation of your performance. A major but not sole input to this decision process will be the points noted above. The approximate percent of available points required for different grade levels are: 85%=A; 75%=B; 70%=C. Plus/minus grading will be used only for B and C grades. For those who are taking this course pass/fail because your actual grade does not transfer to your home university, note that the lowest passing grade is a C (70%).

This process should yield course grades consistent with the Tippie College of Business grade distribution guidelines, which can be found at <http://tippie.uiowa.edu/undergraduate/advising/grading-policies.cfm>.

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Class Attendance. Given the limited number of class sessions, students who miss class will lose a significant amount of material and insight. Borrowing notes or visiting with other students cannot redeem much of this. Furthermore, absent students obviously fail to participate in class discussion and to otherwise contribute to the learning experience. Per CIMBA rules, *a student's course grade automatically will be reduced one-half grade level for each unexcused absence. A third unexcused absence will result in dismissal from the program.* Excused absences will be extremely rare and will be granted only for the most unusual of circumstances.

Tentative Class Schedule – Subject to Change!

You are responsible for all material listed, whether or not it is covered in class. Should you miss a class (what?!), you are responsible for learning of any schedule changes.

<u>Item</u>	<u>Material</u>
1	<u>The Profession and Its Environment</u> Chap. 1. Prob. 14, 15, 17(a), 21 (Items 1-5, & 7); Chap. 2. Prob. 16, <u>21 – Written</u> ; Chap. 3 (pp. 48-52) Sarbanes-Oxley Act
2	<u>Overview of the Audit Process</u> Chap. 6. Prob. 20, 21, 22, 29(c), <u>31 – Written</u> , Inverness – Part 1
3	Chap. 7. Prob. 25, 30 (Items b, c, e & f), <u>32(b) – Written</u> , 33 (Part b), Inverness – Part 2
4	<u>Preparing for and Commencing the Audit</u> Chap. 8. Prob. 26, 27, <u>36 – Written</u>
5	Chap. 9. Prob. 23, 24, 25, <u>26, 27 – Written</u> , <u>32 – Written (Use Risk Measures as Follows:)</u>

<u>RISK</u>	<u>SITUATION</u>				
	$\frac{1}{5}$	$\frac{2}{5}$	$\frac{3}{5}$	$\frac{4}{3}$	$\frac{5}{3}$
AAR	100	100	20	20	40
IR	100	100	40	40	20
CR					
PDR					

PLANNED EVIDENCE

For Part (a), explain what each of the quantified risks means.

For Part (b), compute PDR for each situation, and indicate whether planned evidence is low, medium or high.

Answer part (c) as indicated in the problem.

Chap. 11. Prob. 20, 21, 22

6	Chap. 10. Prob. 31, 32, <u>35 (Parts b & d: Items 1-3, 6, 7 & 10) – Written</u> (See Chap. 20 & Table 20-2 for help), 38
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7 Chap. 13. Prob. 22, 23, 26 (Parts c, d, e & f) – Written, 32 (Parts a & b) (See Table 13-3)

Zou IC Case (25 points) due - Written

EXAM 1

8 Application of Audit Concepts – Sales and Collection Cycle
Chap. 14. Prob. 21, 23, 26 (Parts a & b) – Written, 28 (Parts a & b)

9 Guest Speaker

10 Field Trip

11 Chap. 16. Prob. 20, 21, 28, 31

12 Statistical Sampling

**SEE CHAP. 15 READING GUIDE

Chap. 15. Prob. 22, 23, 28 – Written, 32 (Parts a-d) – Written (Treat this as a statistical application. Change required parts c and d as follows:

c. Calculate SER and CUER for each attribute tested. In order to calculate SER and CUER, you must decide which exceptions are really exceptions, which exceptions should be combined, which should be kept separate. Then follow Step 12 of the procedures on pp. 500-501.

d. Identify which of the test results in part c is acceptable. Assume TER is 4%.)

Company Case (25 points) due – Written

13 Additional Applications of Audit Concepts
Chap. 18. Prob. 18, 19, 24 (Parts b & c: Items 1, 3 & 5), 25(b) – Written (See Table 18-5 for help)
Chap. 23 (pp. 727 - 738)

14 Chap. 21. Prob. 19, 23(Part b: Items 2, 4, 5 & 7), 24(b: Items 1, 2 & 7)

15 Impact of Information Technology
Chap. 12. Prob. 17, 18, 19, 23 – Written

16 Completing the Audit
Chap. 24. Prob. 23, 28 (Items a-g) - Written

17 The Audit Report
Chap. 3. Prob. 23, 24, 25, 28 (Items 1, 4 & 5) & 29 (Items 4, 5 & 7)– Written

FINAL EXAM