

University of North Texas
ACCT 4400 (3 hours): Auditing – Professional Responsibilities
Spring 2016
George W. Krull, Jr.

Section	Time	Place
003	Wednesday, 6:30 pm-9:20 pm	BLB 389

Professor: George W. Krull, Jr.
BLB 213A
(940) 565-3084
George.Krull@unt.edu

Office Hours: Wednesday, 3:30 pm-5:30 pm, and by appointment.

Prerequisites: ACCT 3120 and ACCT 4100; BLAW 3430; must have a 2.5 GPA in all ACCT 3000 and ACCT 4000 courses taken at UNT or their equivalent taken at other colleges and universities to take this course. ACCT 4400 may not be taken more than twice at UNT.

Required Material: *Auditing & Assurance Services: A Systematic Approach*. Messier, Glover, and Prawitt. 9th ed. 2014. A course reserve copy is available at Eagle Commons Library in Sycamore Hall.
Short Audit Case, The Valley Publishing Company: A Comprehensive Audit Case, 12th edition, Armond Dalton Publishers, Inc., 2011, ISBN: 978-0-912503-37-0, Ambrose Jones III and William J. Morris, Jr. (one per audit team required). I will tell you how and when to purchase the Short Audit Case (SAC).

Course Description: Introduction to auditing and the professional responsibilities of a career in any specialty of the accounting profession. Topics include the legal and ethical responsibilities of accountants; professional auditing standards; the acquisition, evaluation, and documentation of audit evidence; reports on the results of the engagement.

Core Category: Capstone

Core Curriculum: The capstone course is an important component of UNT's Core Curriculum. This course is related to the category of **Social and Behavioral Sciences** and will focus on the application of empirical and scientific methods that contribute to the understanding of what makes us human. As a capstone experience, auditing a company's financial statements requires an understanding of both accounting principles and the human and social environment in which accounting decisions are made. The ability to make such considerations in complex situations derives from the study of the human community and the social and behavioral environment. The accounting function impacts all areas of the audit client organization. This course addresses the potentially conflicting ways of thinking and decision-making applied by various constituencies of the client, including client employees, the audit firm, regulators, and client shareholders, and considers how financial statements and the accompanying audit report can impact these various constituencies. As an integral part of the core curriculum, engaging in this course will allow the student to develop and demonstrate the core objectives of Critical Thinking Skills, Communication Skills, Empirical and Quantitative Skills, and Professional and Social Responsibility.

- **Critical Thinking Skills** – including creative thinking, innovation, inquiry, and analysis, evaluation and synthesis of information. Case studies are used in this course to address complex issues that can arise during different phases of the audit process. Students are challenged to be innovative (e.g., use critical thinking skills) when encountering different conditions in the case studies.
- **Communication Skills** – including effective development, interpretation and expression of ideas through written, oral and visual communication. Course material and case studies used in this course contain realistic circumstances that can impact audit procedures and outcomes that require students to analyze information and communicate appropriate solutions.

- **Empirical and Quantitative Skills** – including the manipulation and analysis of numerical data or observable facts resulting in informed conclusions. The case studies used in this course require students to develop skills, related to collecting and manipulating data that will enable them to prepare recommendations and form conclusions.
- **Professional and Social Responsibility** – including intercultural competence, knowledge of civic responsibility, and the ability to engage effectively in regional, national, and global communities. Auditors have shared responsibility to the public as well as to the client. In the preparation of an audit opinion, the auditor makes a statement regarding a client's financial condition. Users of financial statements (including investors, creditors, government, etc.) rely heavily on the audit opinion, illustrating the social responsibility of the auditor. Class material and case studies used in this course critically examine the auditor's relationship between professional responsibility and social responsibility to society.

Learning Objectives: When you complete this course, you should:

- Understand the professional responsibilities of CPAs in general
- Understand the audit process and audit reports
- Understand audit risk assessments, planning, and procedures
- Be able to apply the audit risk model
- Be able to research auditing standards
- Be able to identify fraud red flags

Methods of Instruction: Lecture, discussion, and application through cases.

Class Website: A class website will be maintained throughout the semester on Blackboard Learn (go to <http://www.unt.edu/> and click the link at the top for "Blackboard"). Class materials such as assignments, notes, etc. are available in Learn.

Course Topics:

Unit 1: Audit Fundamentals (chapters 1-2, 19-20)

- The Audit Process
- The Auditing Environment and Standards
- Ethics and Professional Conduct
- Legal Liability

Unit 2: Conducting an Integrated Audit (chapters 3-7)

- Planning, Materiality, and Risk Assessment
- Evidence and Documentation
- Auditing Internal Controls

Unit 3: Audit Testing, Audit Reports, and Fraud Risk Management (chapters 8-9, 17-18, 4)

- Audit Sampling
- Completing the Audit and Audit Reports
- Fraud Risk Management

Point Distribution and Grading Scale:

Assessment	Points		Course Grade	Points Required
Exam 1	100		A	≥ 90% of total points
Exam 2	100		B	80-89% of total points
Exam 3 (Final Exam)	100		C	70-79% of total points
Short Audit Case (SAC): Valley Publishing Company	150		D	60-69% of total points
Individual Core Objective Assessment	40		F	< 60% of total points
Three Individual Assignments	30			
EY's Jameson Family Farms Case	10			
Professionalism	20			
TOTAL	550			

I use **mathematical rounding** to determine grades. For example, if your course grade is 492/550 (89.4%), your grade will be a B. **Your grade is completely based on your performance in this course.** Whatever grade you need to graduate, etc. is the result of your performance in prior classes and is **irrelevant to the grading process in this course.** When you take a class, **you are responsible** for all class requirements and your course standing.

Exams: There will be three exams, including the final exam. All course material is fair game for exam content. Exam 1 covers Unit 1. Exam 2 covers Unit 2. Exam 3 (Final Exam) covers Unit 3 and any previous chapter(s) for which the class as a whole did not perform well on Exams 1-2. **Calculators** are not allowed for Exams 1 and 2. I will provide calculators for the Final Exam. You may take a **makeup exam** under **extraordinary circumstances**, which I must **approve prior** to the exam you miss. To be eligible for a makeup exam, you must provide adequate documentation such as a doctor's excuse. For medical absences, I do not need to know the cause of the absence. Simply document you were under a doctor's care on the exam date, could not return to school until after the exam date, etc. **If I approve a makeup exam, you have two options:** (1) take the makeup exam during the **designated non-negotiable makeup time;** or (2) use the final exam to make up the points. An unexcused absence on exam day or the makeup day will result in a zero grade that cannot be made up in any way.

Exam Retention: One year following the completion of the semester; thereafter, they are shredded.

Audit Simulation Overview:

The **Short Audit Case (SAC)** is a simulated audit of the Valley Publishing Company, a small town newspaper. It is designed to illustrate the principles of audit field work, including basic auditing principles and preparation, organization and integration of audit work papers. It includes preparing the draft financial statements and audit report from the workpapers.

Valley Publishing Company will be done in simulated audit teams. Generally, the audit teams are limited to three members. Most of the modules are assigned during the semester. More information about the **SAC** will be distributed once we have covered the auditing concepts needed to begin and complete the simulated audit.

Short Audit Case Team Assignments and Methodology

Teams will be formed to do their analysis and prepare documentation for the audit practice simulation. Team work begins around the fifth to sixth week of the semester. It is your responsibility to work with your team members and be accommodating of different schedules. ***If you think there may be a problem, please bring it to the instructor's attention as soon as possible. It is best to identify it very early in the process so that adjustments can possibly be made to the team memberships.***

Individual team members will receive a grade based on the team grade. However, an individual's grade may be adjusted by the instructor based on the perceived level of participation.

While students could complete this simulation on an individual basis, it is best organized as a team project. Not only is maximum learning achieved on a team basis, but the simulation will also prove to be more enjoyable. Therefore, depending on the size of the class, the class will be divided into audit teams of three to four students.

The sequence of the assignments generally follows a cycle approach with a balance sheet format for some sections. However, these assignments will not necessarily follow the sequence of the textbook we are using. The instructor may therefore choose to have the students read the appropriate chapter in the textbook prior to doing the assignment and use the text as a reference manual. The steps in the audit program will assist the students in completing the assignment.

Short Audit Case Time Requirements and Scheduling the Assignments

The audit simulation does not contain a time budget for each assignment. Based on the authors' experience in field-testing this simulation, however, the authors estimate that it should take teams roughly 80-90 hours to complete. In effect, this budget represents the time that will generally be spent by the team members (working as a group) to complete the analysis and documentation for all assignments. It should be noted that some assignments may be longer than the others and that two weeks may be needed for completing those assignments.

When spread over the complete semester, this time commitment is manageable and the simulation is intellectually challenging. Each team should record the time that it spends on each assignment and this information should be submitted with each weekly assignment. This will allow the instructor to monitor student progress.

Short Audit Case Team Participation

The team members' participation will generally consist of the following steps:

1. Simulated audit team meetings with the Audit Manager/Partner (role-played by the instructor).
2. Analysis of the assignment material utilizing the audit work program steps.
3. Group presentation and class discussion of the particular assignment specified by the instructor.

The simulated meetings with the Audit Manager/Partner (played by the instructor) provide the simulated auditor teams with the opportunity to obtain additional information and to clarify information contained in the client prepared schedules. This meeting is one of the professional activities common in an audit and should be treated in a reasonably realistic fashion. These scheduled meetings are normally done three to four times a semester. Approximately 30-45 minutes will be allotted for each audit team meeting with the instructor.

The audit team should be prepared to answer any questions from the instructor regarding audit and accounting issues. The discussion should include the following:

1. Adjusting entries: the actual entries and a discussion explaining the need for the entries;
2. Any additional internal control issues encountered during the audit and comments to be included in the management letter. The team should specifically address the benefit(s) to be obtained by the client's acceptance of the recommendations.

Submitting Short Audit Case Team Assignments

Unless otherwise indicated by the instructor, the teams' audit case simulation assignments should be submitted in the following format:

1. A typed cover sheet which contains the following information: Assignment Name and/or Number, Due Date, Team Number and Names;
2. Work program with initials and dates for work completed;
3. Completed Lead Schedule with workpaper references and tick marks;
4. A list of the proposed AJEs (Adjusting Journal Entries);
5. Completed workpaper schedules with tick marks indicating work done;
6. Recommended improvements to internal control.

Auditing is a team-based profession with staff, supervisors and partners working together to complete each audit. Unfortunately, much of your accounting academic experience has been an individual-based learning process. You and your teammates are expected to perform **your own work** on the simulated audit case. **Plan ahead.** If you need assistance in preparing the audit workpapers, you should contact me first and I will try to give you guidance. Your second choice should be to seek the assistance of your fellow students. However, **do not copy** another students' work. Penalties for cheating will begin with a zero on the assignment (for all individuals) and can escalate to failure in the course. Any cheating will be dealt with in accordance with procedures documented in the current UNT *Student Handbook*.

Submitting Individual Assignments: You must submit each case set in two formats:

1. Hard-copy (paper): The Case Set FAQs file on Learn (see the Team Case Sets folder) provides instructions and other relevant information on how to prepare case sets.
2. Turnitin: Turnitin is an online tool available to faculty at UNT to help detect academic misconduct. Students are required to submit written assignments for this class to Turnitin, a web-based plagiarism detection service. Before submitting your paper to Turnitin, please **remove your title page and other personal information**. Any paper that is not submitted to Turnitin prior to submission to the instructor will not be accepted by the instructor and will not be graded. You must submit your cases to Turnitin using Blackboard Learn. To do this, log on to Learn, enter our class page, and click the link for Course Content on the left. Once you are on the Course Content page, click to View/Complete the appropriate assignment, and begin the process of uploading your assignment. Only one team member should submit each case.

Individual Core Objective Assessment: This **individual** case involves planning the audit of a hypothetical client, and is submitted both as a hard-copy and online in the same manner as the team cases. This assignment requires you to demonstrate the core objectives of critical thinking, communication skills, empirical and quantitative skills, and professional and social responsibility.

Three Individual Assignments: Individual assignments are **submitted online**, using links I will provide in Blackboard.

1. **If You Need Love, Get a Puppy (Braun and Stallworth 2009):** A case about auditor independence and professional skepticism (*10 points*).
2. **Deloitte's Coconut Telegraph Case:** Auditing a complex revenue recognition issue (*10 points*).
3. **Deloitte's eVade Case:** Auditing the client's reporting of a liability (*10 points*).

EY's Jameson Family Farms (JFF) Case: Assessing fraud risk and planning the audit. Each team will submit one set of materials. We will complete the majority of the JFF case in class, although your team likely will need to complete a portion of this assignment outside of class (*10 points*).

Professionalism: Your professionalism grade is based on the following components:

- Participation: Material contribution to class discussion throughout the semester in seminar. Prepare for each session and be ready to ask and answer questions. Coming to class and taking notes does not constitute participation. The use of cell phones and other electronic devices during class are disruptive to me and your class mates and are subject to point deductions. (*10 points*).
- Punctuality: I expect you to attend class and arrive on time for class. This means that you are seated when class begins and you remain in class, without coming and going. Similarly, if you make an appointment outside of office hours, you should either arrive on time or notify me in advance that you cannot attend on time (*10 points*).
- You are encouraged to dress in professional attire when guest speakers attend (**business casual**).

Late assignments: Late assignments will **receive a zero** that cannot be made up in any way, unless you provide adequate documentation such as a doctor's excuse. **Deadlines** are, unless otherwise noted:

- **Team Case Sets** and the **Individual Core Objective Assessment:**
 - Turnitin Version: **Thirty (30) minutes before class** on the due date.
 - Hard-Copy (paper) Version: **Beginning of class** on the due date.
- Individual assignments submitted online: **Thirty (30) minutes before class** on the due date.

Communications: I want to be responsive to you when you reach out to me for my assistance. If you will adopt the following suggestions, I will have a better chance of helping you in an effective and timely manner. **The best way to contact me is via email.**

- a. If you email me, do not assume that I received your email unless I confirm receipt. Please type "ACCT 4400" in the email subject line.
- b. When leaving me a phone message, please speak clearly and slowly and make certain to leave me a number and time when I can return the phone call.
- c. When you see me in my office, it will be helpful for you to remind me of your name and the course you are in.

Academic Dishonesty: Academic dishonesty will not be tolerated. Academic dishonesty includes cheating, plagiarism, forgery, fabrication, facilitating academic dishonesty, and sabotage. These actions are defined in the UNT academic integrity policy, available at http://policy.unt.edu/sites/default/files/untpolicy/pdf/7-Student_Affairs-Academic_Integrity.pdf.

You can find additional information on academic integrity at <http://vpaa.unt.edu/academic-integrity.htm>.

Possible **penalties** for academic dishonesty include a **zero grade** for the assessment on which the student(s) engaged in academic dishonesty and **course failure**. The failure to return any part of an exam or Scantron at any time you have these materials is an act of academic dishonesty that will at minimum result in a **grade of zero for that exam**.

Academic dishonesty on team assignments may result in penalties for all team members. Any grade reduction based on academic dishonesty cannot be made up.

Acceptable Student Behavior: Student behavior that interferes with an instructor's ability to conduct a class or other students' opportunity to learn is unacceptable and disruptive and will not be tolerated in any instructional forum at UNT. Students engaging in unacceptable behavior will be directed to leave the classroom and the instructor may refer the student to the Dean of Students to consider whether the student's conduct violated the Code of Student Conduct. The university's expectations for student conduct apply to all instructional forums, including university and electronic classroom, labs, discussion groups, field trips, etc. The Code of Student Conduct can be found at www.deanofstudents.unt.edu.

Withdrawals: The Accounting Department strictly enforces university policy regarding **W/WF grades**. If you drop this course after the withdraw date, you must have a passing average (at least 60%) to receive a W grade; otherwise, you will receive a WF. It is your responsibility to be aware of and comply with all deadlines relating to withdrawals.

Finals Week: In the past, UNT has rearranged the final exam schedule due to inclement weather. You should consider this possibility when making end-of-semester travel arrangements.

Disability Accommodations: The College of Business complies with the Americans with Disabilities Act in making reasonable accommodations for qualified students with disabilities. If you wish to request such accommodations, please notify me as soon as possible so we can make arrangements. To obtain disability accommodations, **you must first go through the UNT Office of Disability Accommodation (ODA)**. The ODA will give you a letter confirming your status. To receive accommodations, you must present this letter to me **at least one week in advance** of the first graded in-class assessment for which you wish to receive accommodations.

Teaching Evaluations: I am more interested in the feedback you provide as part of the teaching evaluation process than whether evaluations are conducted online, using paper and pencil, or both. I truly am interested in the feedback you provide and have made changes to this course based on student feedback.

TENTATIVE SCHEDULE: ACCT 4400.003

Spring, 2016*****

Wednesday 6:30pm – 9:20pm

BLB 389

Day	Date	Topics	Class Preparation*
W	1/20	Introduction and Audit Process	Basic Concepts Notes Ch. 1: 1-24, 1-30
W	1/27	Audit Environment and Standards	Ch. 2: 2-24 through 2-28
W	2/3	Ethics and Professional Conduct	If You Need Love, Get a Puppy Q1(2), Q2(2)**** Ch. 19: 19-28, 19-29, 19-31
W	2/10	Legal Liability Review for Exam 1	Ch. 20: 20-26, 20-31 Review Sheet
W	2/17	Exam 1** Planning, Tests, and Materiality	Study Ch. 3: 3-27, 3-29
W	2/24	Risk Assessment	Ch. 4: 4-27, 4-31; SAC Module No. 2
W	3/2	Evidence and Documentation	Ch. 5: 5-31, 5-32, 5-33, 5-34; SAC Module No. 3
W	3/9	Internal Controls	SAC Module No. 1 and Preliminary Assignment
W	3/23	Core Objective Assessment	SAC Module No. 5 Read Core Objective Assessment
W	3/30	Internal Controls Review for Exam 2	Ch. 6-7, 6-25, 7-38, 7-39, 7-40; SAC Module No. 4
W	4/6	Exam 2** Audit Sampling	Study Ch. 8: 8-23, 8-27, 8-28; SAC Module No. 6
W	4/13	Audit Sampling	Core Objective Assessment; Ch. 9: 9-22; SAC Module No. 7
W	4/20	Completing the Audit	Deloitte's Coconut Telegraph Case Q3**** Deloitte's eVade Case Q1**** Ch. 17, 17-22, 17-24; SAC Module No. 8
W	4/27	Audit Reports	Peer Review**** Ch. 18, 18-22, 18-23; SAC Module Nos. 9 and 10
W	5/4	Fraud Risk Management Final Exam Review	Fraud Risk Mgt. and Ch.4, 4-29; EY's Jameson Family Farms**** SAC Submission
W	5/11	Final Exam***	Study

*Read chapters and attempt questions *before* attending seminar.

** Exams 1 and 2 start at 6:30pm and end at 7:50pm on the day of the exam.

*** The Final Exam may be at a different time. I will confirm the time later in the semester.

******Bold red** items are graded assignments submitted in the manner specified in this syllabus (see above).

***** UNT's Spring Break week is March 13-19. Thus, there is no class on March 16. Class resumes on March 23.