ACCT 7620 – AUDIT II: ADVANCED AUDITING
Fall 2009

Professor E. Michael Bamber
224 Brooks Hall
Office Hours: Tu 2:30 – 3:00 p.m., W 2:30 - 4:30 p.m. & by appointment

MATERIALS

Required:

Handout Package. (Available at Bel-Jean)

Recommended:
A. A. Arens, R. J. Elder, and M. S. Beasley, Auditing and Assurance Services (Twelfth or Thirteenth Edition). Prentice-Hall, Inc. (Or an equivalent auditing textbook)

COURSE DESCRIPTION AND OBJECTIVES

Advanced auditing topics with emphasis placed on the practical aspects of auditing financial statement transaction cycles and account balances. This graduate course is designed to (1) broaden and deepen your conceptual and technical understanding of the CPA’s attest function, (2) provide you with a framework for analyzing contemporary auditing and assurance issues, and (3) develop your competence in research and communication skills. You will develop your expertise on audit and assurance issues by reading and discussing current academic and professional literature, and by analyzing auditing case studies.

The cases will enhance your understanding of (1) the current auditing environment and the auditor’s role and responsibilities for financial reporting quality, (2) the critical role that ethics, professional judgment, and knowledge of the client’s internal controls, business, and industry play in an effective audit, and (3) the procedures and tools available to the auditor to perform an effective audit.

ELECTRONICS POLICY

Professionals devote their full attention to important meetings. Therefore, all electronic devices (including laptops, cell phones, PDAs, MP3 players, etc.) are to be turned to the off position at the beginning of class.
SPECIFIC SKILL DEVELOPMENT

The course will help you:
1. Improve your analysis, problem-solving, research, and decision-making skills.
2. Develop the skills, competencies, and points of view accounting professionals require.
3. Understand and appreciate the role of the economic, regulatory, and technology environment in auditors’ decision making (i.e., seeing the big picture).
4. Learn to find and use resources (reference materials, data, and information sources) to solve problems.
5. Develop your abilities and skills in working with others as a team.
6. Develop skills in expressing yourself, an idea, or point of view – both orally and in writing.
7. Developing your ethical principles to guide ethical decision making.
8. Analyze and critically evaluate ideas, arguments, and points of view.

TOPICAL OUTLINE

1. The current auditing environment and the auditor’s role and responsibilities for financial reporting quality.
2. The critical role that ethics, professional judgment, and knowledge of the client’s internal controls, business, and industry play in an effective audit.
3. The procedures and tools available to the auditor to perform an effective audit.

PREREQUISITES

ACCT 5200/7200
ACCT 5310/7310

ACADEMIC INTEGRITY

As a university of Georgia student, you have agreed to abide by the University’s academic honesty policy, “A Culture of Honesty.” found at www.uga.edu/honesty. Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.

EVALUATION

Your performance will determine your overall grade:
Class participation (individual) | 50
---|---
Quizzes on readings | 10
Case preparation and write-up (individual and group) | 80
Class presentations (group) | 10
Midterm exam (individual) | 90
Term paper (group)
  - Written paper | 40
  - Presentation | 10
  - Peer evaluation | 10
Total | 300

Professionals are expected to meet deadlines. Accordingly, no late assignments (including cases and papers) will be accepted.

Class Participation
This is a graduate seminar where we develop, share, and question ideas and opinions. Accordingly, I expect you to attend class and to actively participate in the class discussion. To give you a sense of what is expected, you need to be concerned if, for example, three classes have gone by and you have not spoken in class. However, talking merely to accumulate minutes of air-time will not improve your grade.

Developing opinions and learning to express those opinions in a group setting is critical to your success as a professional. Although this level of participation may initially be outside your comfort zone, remember that we are on the same team in the learning process, and that we will be dealing with many issues that lack a right answer.

Daily class activities provide important feedback to me about how much you know about the subject matter and your level of effort and preparation. Emphasizing participation allows us to take advantage of the talents and experiences of everyone in the class. To foster participation, I will sometimes randomly call on individuals. I will not necessarily expect him or her to have the “right” answer (if there is one), but I will expect an informed response that shows he or she has completed the day’s readings and assignment.

Quizzes on Readings
Short quizzes will periodically be given at the start of class covering that day’s reading assignment. The purpose of the quizzes is to encourage you to attend to the readings before class so as to facilitate meaningful class participation. I plan on 6 quizzes, dropping one to allow for an unavoidable class absence.

Case Preparation and Write-Up
Cases should be ready to turn in at the beginning of the class they are due. As the date approaches, I will indicate whether you are to complete a case on the syllabus individually or in a team. When you complete the case in a team, I expect each team member to participate in the
analysis and to be ready to discuss the team response. You are responsible for forming your own 3 person case-team.

Each case is followed by a series of questions. I will indicate which of these questions your analysis should address. In addition to these questions, for each case you should identify the relevant authoritative auditing guidance, including AS/AU Section numbers. Depending on the individual case, your case analysis should total approximately 5-8 pages (typed in 12-point font and double-spaced), arranged as follows:

1. Title of case and your name(s).
2. A brief outline of the relevant auditing guidance.
3. Responses to the assigned questions.

Remember that the practitioners involved in the cases typically differed in their interpretation of the issues. Therefore, you should allow (and encourage) different opinions from your classmates.

You will turn in each case, although some will be graded in more detail that others.

**Class Presentations**
Each student, as a member of a two-person class-presentation team, will make a short presentation on a class reading assignment. I will assign individuals to presentation-teams and readings. Your presentation should last 5-6 minutes. We will then have a few minutes for questions and answers. Each team member must take part in the presentation. Each team will also provide a one to two page study outline/summary of the assigned reading for each member of the class. The points will be assigned: 8 points for the presentation and 2 points for the handout.

A useful if basic slide show on making good PowerPoint presentations can be found at: [http://www.iasted.org/conferences/formatting/Presentations-Tips.ppt#1](http://www.iasted.org/conferences/formatting/Presentations-Tips.ppt#1)

**Midterm Exam**
The midterm exam is given at night. The exam will include multiple-choice, short-answer, and essay questions. A make-up exam will only be given for exceptional circumstances approved prior to the exam.

**Term Paper/Project**
Early in the semester, I will form 3-person teams. Each team will identify a specific industry (not company) and submit their choice of industry to me for approval. The deadline for approval is October 16. Then the team will study annual reports of companies in the industry, industry audit guides, analysts’ comments, library resources (e.g., Dun and Bradstreet, Standard and Poor’s, Factiva, and Value Line), and talk to auditors or executives working in the industry to identify areas of audit risk and audit procedures peculiar to the industry. Each group should (1) identify and discuss the major business and audit-related risks associated with the industry, and (2) prepare a basic substantive audit program addressing the financial statement elements most affected by these risks. You might want to use individual company annual report data as
examples and to support your findings.

Term papers should be about 15 pages in length, double-spaced in 12-point font. The paper should have the following major sections. I expect you to use subheadings within some of these major sections:

1. Cover page with title, team-members’ names, and one paragraph executive summary.
2. Overview of industry.
3. Analysis of business and audit risks.
4. Audit program.
5. Advantages/disadvantages of working (as auditor) in industry.
6. References.

I will evaluate term papers based on their accuracy, originality, thoroughness, integration of class material, conciseness, organization, support of conclusions, style, overall professional appearance, and (very important) grammar – short, active (subject--action verb--object sentence structure) not passive voice. The paper is due on December 3.

During the last three weeks of the semester, each team will make a class presentation based on their project. I will be looking for creativity in these presentations. Presentations should be approximately 15 minutes with an additional five minutes for questions. Business attire is required for this presentation. A jacket is not required, but a collar and tie is required for males.

**USEFUL WEB SITES**

American Accounting Association (AAA) [http://aaahq.org/index.cfm](http://aaahq.org/index.cfm)
Auditing Section [http://aaahq.org/audit/index.htm](http://aaahq.org/audit/index.htm)
Institute of Certified Public Accountants (AICPA) [http://www.aicpa.org/index.htm](http://www.aicpa.org/index.htm)
Public Company Accounting Oversight Board (PCAOB) [http://www.pcaobus.org/](http://www.pcaobus.org/)
Institute of Internal Auditors (IIA) [http://www.theiia.org/iia/index.cfm](http://www.theiia.org/iia/index.cfm)
Committee of Sponsoring Organizations of the Treadway Commission (COSO) [http://www.coso.org/](http://www.coso.org/)
International Auditing and Assurance Standards Board [http://www.ifac.org./IAASB/](http://www.ifac.org./IAASB/)
The 7 Habits of Highly Effective People [http://www.stephencovey.com/7habits.php](http://www.stephencovey.com/7habits.php)
ADVANCED AUDITING SYLLABUS  
FALL 2009

The syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

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<thead>
<tr>
<th>DATE</th>
<th>TOPIC AND ASSIGNMENT</th>
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| Tu 8/18 | **Introduction**  
(Handout Package – HP page 1)  
Some Suggestions for Making Effective Oral Presentations (HP page 9) |
| Th 8/20 | **Auditing, Corporate Governance and Financial Reporting**  
Arens: Chapters 1, “The Demand for Audit and Other Assurance Services,” and 2, “The CPA Profession,” as background reading  
Turner, “Learning from Accounting History: Will We Get It Right This Time?” *Issues in Accounting Education* (November 2006), pp. 387-407. (HP page 17)  
Assignment: Identify the players in financial reporting and answer questions on Turner article |
| Tu 8/25 | Sarbanes-Oxley Act of 2002  
[www.aicpa.org/info/sarbanes_oxley_summary.htm](http://www.aicpa.org/info/sarbanes_oxley_summary.htm) (HP page 43)  
Leibs, “Five Years and Accounting: In the Wake of Sarbanes-Oxley, the Policies, Politics, and Practices that Shape Corporate Finance Remain Far From Settled,” *CFO Magazine* (July 1, 2007). (HP page 53)  
[http://www.pcaobus.org/About_the_PCAOB/The_Board/index.aspx](http://www.pcaobus.org/About_the_PCAOB/The_Board/index.aspx) (HP page 59)  
[http://www.pcaobus.org/About_the_PCAOB/Annual_Reports/2008.pdf](http://www.pcaobus.org/About_the_PCAOB/Annual_Reports/2008.pdf) (Read pages 2-23 of the report)  
Assignment: Identify the key audit-related components of the Act |
| Th 8/27 | “In the Public Interest: A Conversation with the Chief Accountant of the SEC,” *Journal of Accountancy* (January 2005), pp.63-70. (HP page 73)  
Enron Update (Handout –H)  
Case 4-1: Enron Corp. and Andersen, LLP: Analyzing the Fall of Two Giants |
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<th>Date</th>
<th>Topic</th>
<th>Source</th>
<th>Notes</th>
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<tr>
<td>Tu 9/1</td>
<td><strong>Professional Ethics, Auditor Judgment, and Legal Liability</strong></td>
<td>Arens: Chapter 4, “Professional Ethics” or equivalent text or actual Code</td>
<td>(Note: the entire AICPA Code Of Professional Conduct can be accessed at <a href="http://www.aicpa.org/about/code/index.htm">www.aicpa.org/about/code/index.htm</a>)</td>
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<td>Th 9/10</td>
<td>Guest Speaker: Mr Tim Keadle, Partner, Porter Keadle Moore, LLP “Ethics in Practice” (Note: Today is Accounting Career Day)</td>
<td>Case 4-6: Phar-Mor, Inc: Accounting Fraud, Litigation, and Auditor Liability</td>
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<td>Tu 9/15</td>
<td>Case: ZZZZ Best Company handout (H)</td>
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<td>Videotape: ACFE “Cooking the Books”</td>
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Tu 9/29   Case 4.5: Xerox Corporation: Evaluating Risk of Financial Statement Fraud


Tu 10/6   Risk Assessment
Arens: Chapter 9, “Materiality and Risk,” for background reading.


Case 2-2: Dell Computer Corporation: Evaluation of Client Business Risk

Tu 10/13  Internal Control, and Inherent and Control Risk Assessment


Case 5-2: Easy Clean, Co.: Evaluation of Internal Control Environment

Tu 10/20  No class because of exam tonight.

Tu 10/20  Midterm Exam 6:30 p.m. to 9:00 p.m.
Th 10/22  Guest Speaker: Mr. Rand Meyer, Partner, KPMG LLP. “Audit and Risk Advisory Services Update”

Tu 10/27  PCAOB Auditing Standards Update

Th 10/29  Audit Evidence – Analytical Procedures
Au Section 329 (SAS No. 56) Audit Procedures, read as background


Case 8-1: Laramie Wire Manufacturing: Using Analytical Procedures in Audit Planning

Tu 11/3  Case 8-3: Burlington Bees: Using Analytical Procedures as Substantive Tests

Th 11/5  Audit Evidence – Audit Sampling


Tu 11/10  Good Accountants – Good Audits? (H)

Th 11/12  Presentations

Tu 11/17  Presentations

Th 11/19  Presentations

11/23-11/27  THANKSGIVING HOLIDAY WEEK

Tu 12/1  Presentations

Th 12/3  Review