The University of Georgia  
Terry College of Business  
J.M. Tull School of Accounting  

AUDITING, RISK ASSESSMENT, AND CONTROL  
Accounting 5200/7200  
Fall 2007  

8:00 – 9:15, Tuesdays and Thursdays, 212 Sanford  
2:00 – 3:15, Tuesdays and Thursdays, G10 Caldwell  
3:30 – 4:45 Tuesdays and Thursdays, 309 Sanford  

Professor: Dr. Jacqueline S. Hammersley  
KPMG Teaching Fellow  
Office: 238 Brooks Hall  
Telephone: 542-3500  
Office Hours: 4:00 to 6:00 pm Wednesdays, and by appointment  
E-mail: jhammers@uga.edu  
Web site: http://webct.uga.edu  

Prerequisites: Credit for ACCT 5010 and credit for or concurrent enrollment in ACCT 5310/7310  

Required Textbooks:  
2. Course readings and handout packet – available later in the semester at Bel Jean.  

Course Objectives:  

This course is designed to provide you with a conceptual understanding of financial statement auditing and the nature of other attestation services. One goal is for you to develop your professional skepticism by becoming critical readers and users of information. Additionally, you will gain an understanding of the regulatory environment in which auditors work and the recent changes in that environment. We will spend most of the course learning about the process of performing an audit and understanding how the various accounting cycles are audited. The material we will cover will assist you in preparing for the auditing section of the CPA exam; however, we do not have time to cover all topics that might appear on the exam.  

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

1. **Grades:** I will assign +/- grades. In assigning pluses and minuses, I will divide the previous grade categories into sub-categories (i.e., the previous single category of B will now be divided into three categories: B+, B, and B-). I intend to use pluses and minuses only at the margins, so most students who would have received B’s in the past will still receive B’s, only a few will receive B+ or B- grades. I guarantee that the minimum A- will not be above 90 percent, the minimum B- will not be above 80 percent, and the minimum C- will not be above 70 percent. Note that students must earn at least a grade of C (not C-) to successfully complete the Accounting Department degree requirements.

Grades will be assigned according to the breakdown that follows:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm Exam 1</td>
<td>110</td>
</tr>
<tr>
<td>Midterm Exam 2</td>
<td>200</td>
</tr>
<tr>
<td>Final Exam</td>
<td>200</td>
</tr>
<tr>
<td>SE Shoe project 27</td>
<td>50</td>
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<tr>
<td>SE Shoe project 30/31</td>
<td>20</td>
</tr>
<tr>
<td>Pretty Liquid</td>
<td>10</td>
</tr>
<tr>
<td>Northern Frontier Park project</td>
<td>20</td>
</tr>
<tr>
<td>Research project</td>
<td>30</td>
</tr>
<tr>
<td>Quizzes (best 6 of 7)</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total points</strong></td>
<td><strong>700</strong></td>
</tr>
</tbody>
</table>

2. **Assignments:** In general, excused and unexcused absences do not affect the due dates for class assignments or quiz dates. If you expect to miss a class in which an assignment is due, you must deliver the assignment early to my office or via email to receive credit.

**Projects:** You will hand in three projects and one research project. The research project will be an individual assignment. The other projects require analysis you will conduct in groups of about three (under no circumstances may the groups be larger than four and you may not work alone). You will choose your group members for these assignments. You are allowed to change groups at any time. You are expected to resolve any group problems on your own. You may find that teamwork is somewhat inefficient at first, so plan accordingly. The importance of the ability to work efficiently and effectively in groups is one reason these assignments are made to groups, not individuals. Working in groups or teams is a skill that employers value highly and it is a skill you will use throughout your career. One goal of these group projects is for you to start learning to manage conflicts about schedules, personalities, etc.

You may work with students enrolled in any section of the course. If you choose to work with teammates from another section, your group must submit its project solution in the earliest section in which a group member is enrolled.

The dates on which you will hand in projects are shaded. All projects must be handed in at the beginning of the class. Late projects will not be accepted. You will need to bring an extra copy to reference during class discussion.
Homework and Suggested Problems: You are assigned nearly daily homework. I encourage you to learn from each other by working together on homework and suggested problems. I will not collect either the Homework or the Suggested Problems.

You are strongly encouraged to do the items listed as “Homework” on the Class Assignments list as soon as we finish the associated chapter. Generally, we will discuss the homework in class on the day it is listed. Quizzes will be related to the homework and class discussion.

The items listed as “Suggested” on the Class Assignments pages are additional problems that you should do to enhance your understanding of the material. Generally, we will not discuss the suggested problems in class.

I will post solutions to all of the problems for each chapter on WebCT. I strongly encourage you to attempt the problems on your own before looking at the solutions. It is very easy to develop a false sense of security about your knowledge if you look at the solutions without first really trying to solve the problems. Under these circumstances, you will likely (and probably incorrectly) think that with enough time you could have come up with the solution.

3. Course Communication: I will periodically email you with announcements or other information related to the course. I will use your @uga.edu email address to do this. You should make sure that this mailbox is able to receive mail at all times. Additionally, to ensure that I receive any email that you might send me, you should send mail to me using this address. The University spam filters delete or reroute mail that appears to be junk (and while I am sure your mail will not be junk, I cannot ensure the spam filter will be convinced) – the only mail that reliably gets through to my mailbox originates from an @uga.edu address.

I expect that your email and any other communication in or out of class with me or your colleagues will be conducted in a professional manner. This means that emails should include an appropriate address (i.e., Hello Dr. Hammersley, etc.) and a signature. Additionally, email should be written using complete sentences and should be grammatically correct.

4. Class Format: Generally I will lecture on the topic of the day and then we will move on to homework or other problems. However, I prefer the lecture and problem analysis to be more of a conversation or an opportunity for group interaction than a monologue; therefore, I anticipate considerable discussion. To get the most out of the course, you must be prepared for discussion virtually every day. You should come to class with questions about material you did not understand. I expect that you will actively ask questions in class. Formulating good questions, listening, and observing are the essence of auditing!
5. **Specific Skill Development:** The assignments in ACCT 5200 will also help you develop skills required by PricewaterhouseCoopers' statement *Educating for the Public Trust*, and by the CPA exam. You will:
   a. Develop skills, competencies, and points of view that professionals require, including the ability to critically evaluate ideas and information.
   b. Develop critical thinking and analytical skills to tackle unstructured problems.
   c. Learn to: learn technical accounting material on your own, learn from your peers, and teach your peers.
   d. Develop skills in expressing your ideas and opinions, both in writing and orally.
   e. Develop your ability to work with others as part of an effective team.
   f. Develop your ability to concentrate and work effectively in a busy office atmosphere.

6. **Quiz Policies:** I will give seven unannounced quizzes during the semester. Quizzes are worth 10 points each; you will be allowed to drop your lowest score. If you are not in class on the day of a quiz, there is no need to provide documentation about the reason for your absence. You will receive a zero for any missed quiz.

Quizzes will be composed of multiple choice questions or problems depending on the material we have covered at the time of the quiz.

7. **Exam Policies:** Exams must be taken at the scheduled times unless you have a reasonable (in my judgment) and verifiable excuse. You should notify me in advance, via phone or email, if you will be unable to take an exam as scheduled due to illness, conflict with another course meeting time, or other reason. Failure to follow this policy will result in a zero exam score. Generally, I do not give make-up exams. Given the new flexibility in scheduling the CPA exam, I will not consider it to be a reasonable excuse for missing a regular or final exam in this course. Office visits and other interviews are not considered reasonable excuses for missing exams; firms will reschedule office visits when asked.

The midterm exams will be given in the evening. If you are uncomfortable walking on campus after the exam there is a university sponsored evening-escort service available. You can find more information about this service at its website: http://www.police.uga.edu/escortservice.html

8. **Exam Review:** There are two days during the semester which we will spend reviewing exams in class. I have set aside precious class time for exam review so that you can have a substantial amount of time available to review the exam with your books and notes. Additionally, you will write up any grading appeals during these class periods. I encourage you to make good use of this time to try to learn from your mistakes. In the past, students who have taken this opportunity seriously have had significant improvements on their future exams.

Note that if you choose not to attend class on the exam review days, you will not be able to review your exam during office hours. Office hours are used for answering questions about current material or discussing other course issues.
9. **Academic Integrity**: All academic work must meet the standards contained in “A Culture of Honesty.” Students are responsible for informing themselves about those standards before performing any academic work. The link to more detailed information about academic honesty can be found at: http://www.uga.edu/ovpi/honesty/acadhon.htm

All academic work submitted in this course must be your own unless you have received my permission to collaborate and have indicated on the paper submitted with whom you worked. It is my responsibility to uphold the University’s academic honesty policy and report my belief of dishonesty to the Office of the Vice President for Instruction.

I take your academic integrity very seriously. You are attempting to enter a profession that requires the highest standards of ethical conduct. If you have any question about whether your actions constitute academic dishonesty, the best course of action is to ask me for guidance before acting.
CLASS ASSIGNMENTS
Note that I reserve the right to modify the schedule as needed.

8/16  Topic:  Recent Events in the Profession
Read:  This syllabus!

8/21  Topic:  Course Introduction
            What is Auditing? Demand for Audits
Read:  Chapter 1 (Note: all chapter references are to Arens et al.)
       Handout: Sources of Demand
Suggested:  1-16, 1-17, 1-18, 1-19

8/23  Topic:  The General Standards
Read:  Chapter 2
       Chapter 3 p. 45-49

8/28  Topic:  Independence
Suggested:  2-21

8/30  Topic:  Auditor Responsibilities and Objectives
Read:  Chapter 6

9/4   Topic:  Evidence
Read:  Chapter 7
Homework:  6-22a(2), b, 6-25
Suggested:  6-24, 6-26, 6-30

9/6   Topic:  Audit Planning and Analytical Procedures
Read:  Chapter 8
Homework:  7-31
Suggested:  7-32, 7-34, 7-36, 7-37

9/11  Topic:  Materiality and Risk
Read:  Chapter 9
Homework:  8-30b
Suggested:  8-33, 8-34(a)

9/13  Topic:  Materiality and Risk
Homework:  9-30
Suggested:  9-25, 9-26, 9-29, 9-31, 9-32, 9-34

9/18  In class project:  Northern Frontier Park
       (Part A due at the beginning of class)

9/19  (Wednesday)  MIDTERM EXAM 1: 7:00 – 8:15 pm, 145 Brooks

9/20  No class – time off for previous night’s exam
9/25  Topic:  Review Midterm Exam 1 (any grade appeals are due at the end of class)
Internal Control and Control Risk
Read:  Chapter 10

9/27  Topic:  Internal Control and Control Risk
Audit Planning and Audit Programs
Folio Views Software
Read:  Chapter 13
Using Folio Views Handout (download from WebCT)

10/2  Topic:  Sales and Collections Cycle
Read:  Chapter 14
Homework:  10-36(b)
Suggested:  10-35(a-d), 10-37, 10-40(c)

10/4  Topic:  Sales and Collections Cycle
Read:  Chapter 14
Homework:  13-25
Suggested:  13-28, 13-29

10/9  Topic:  Sales and Collections Cycle
Read:  Chapter 14
Suggested:  14-24, 14-25, 14-26, 14-27, 14-28, 14-30, 14-31

10/11 Topic:  Controls Tests and Substantive Tests of Details
Read:  Chapter 15, 15-32 for discussion
Project:  Research Project

10/16 Topic:  Controls Tests and Substantive Tests of Details
Read:  Chapter 15
Homework:  15-28(b and c)
Suggested:  15-25(b), 15-26(a and b), 15-31, 15-32

10/18 Project:  Southeast Shoe Distributor Case 27, Procedures 5-6

10/23  MIDTERM EXAM 2: 7:00 – 10:00 pm, 145 Brooks

10/25  Fall Break – Have Fun, Be Safe!
10/30

**Topic:** Auditing Accounts Receivable

**Review Midterm Exam 2** (any grade appeals are due at the end of class)

**Read:** Chapter 16

11/1

**Topic:** Sampling Tests of Balances

**Read:** Chapter 17

**Homework:** 16-27, 31

**Suggested:** 16-23, 16-24, 16-30, 16-32, Sample Problem (on WebCT)

11/6

**Topic:** Sampling Tests of Balances

**Acquisition and Payment Cycle**

**Read:** Chapter 19

**Homework:** 17-29

**Suggested:** 17-30(e), 17-32, 17-33(a and c)

11/8

**In class demo:** Pretty Liquid

11/13

**Topic:** Acquisition and Payment Cycle

**Suggested:** 19-20, 19-21, 19-23, 19-24, 19-25, 19-28, 19-31

11/15

**Topic:** Completing the Audit and Communicating Results

**Read:** Ch. 24

11/20

**In class project:** Southeast Shoe Distributor Cases 30 and 31

(Phase A due at the beginning of class)

11/22

Happy Thanksgiving!

11/27

**Topic:** Audit Reporting

**Read:** Chapter 3

**Homework:** 24-28

**Suggested:** 24-27, 24-30, 24-32, 24-34, 24-36

11/29

**Topic:** Audit Reporting

**Read:** Perspectives on Internal Control Reporting, Appendix III

12/4

No Class – follow a Friday schedule

12/6

**Topic:** Sarbanes-Oxley Act of 2002

**Read:** Perspectives on Internal Control Reporting, Appendix I

**Homework:** 3-30

**Suggested:** 3-27, 3-28, 3-29, 3-31

12/11

8:00 class

**FINAL EXAM:** 8:00 – 11:00 am

12/11

2:00 class

**FINAL EXAM:** 3:30 – 6:30 pm

12/13

3:30 class

**FINAL EXAM:** 3:30 – 6:30 pm