

ACCOUNTING 492
AUDITING AND CONTROLS
Fall 2004

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OFFICE: 125A J. A. Albertson Building
OFFICE HOURS: TR 10:50 – 11:30, W 1 - 3

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Required Texts:

- 1) Messier, *Auditing and Assurance Services*, Third Edition
- 2) SCAD VI – disk to be distributed
- 3) *What is Sarbanes-Oxley?* (This will be shrink-wrapped with new books)

Recommended: Wall Street Journal (WSJ)

Overview and Class Objectives

The objectives of this course are to provide you with a basic understanding of the theory, environment, and technology of risk-based auditing and assurance services; to provide you with tools to perform an audit in a realistic setting; and to make you aware of relevant current professional issues.

Grading: Evaluation in this course will be based upon the following:

1st Exam	10 %
2nd Exam	15 %
Final Exam	25 %
SCAD	35 %
Written Assignments othr outside/class work	<u>15 %</u>
	<u>100 %</u>

Written Assignments and Exams:

Written assignments are to be completed by the assigned dates.

Exams will be a combination of objective and essay questions. As noted above, two mid-term exams and a comprehensive final exam will be given. Each successive exam has increasing importance. **MAKE-UP EXAMS WILL NOT BE GIVEN.** If it becomes necessary for you to miss an exam, you must communicate this to me prior to the date of the exam. If you miss one of the exams, your final exam will be re-weighted.

The SCAD project will be graded on a cumulative basis. This means your progress will be noted at each submission, but no grade will be assigned until the final submission. This also means that you can improve your audit logic and working paper documentation up until the final submission. The details of the SCAD evaluation process will be discussed more fully in class.

The written assignments category covers homework assignments, cases, and other written work besides SCAD.

Students are expected to be aware of relevant current events. The Wall Street Journal is an excellent source. The possibility exists for several class meetings at other times. These will be announced well in advance.

Classroom Procedures:

Most classroom time will be spent on lectures and discussions. Classroom participation is strongly encouraged. Classroom time, however, is not sufficient to allow a complete discussion of all readings and written assignments. Therefore, only the most important material will be covered in class. You are, however, responsible for all material assigned.

TENTATIVE SCHEDULE **BE ALERT FOR CHANGES AND UPDATES** ACCOUNTING 492

<u>Week of</u>	<u>Topic</u>	<u>Assignment</u>
August 23	Chapter 1: Introduction to audit and assurance Services	Sarbanes-Oxley
	Chapter 2: Overview of financial Statement auditing	Case of the Fragile Grandmother (attached)
August 30	Chapter 3: Materiality and audit risk	
September 6	Chapter 4: Evidential Matter	Sarbanes-Oxley Exercise To be emailed
September 13	Chapter 5: Audit planning and Types of tests	Snap-A-Control Due September 17
September 20	Chapter 5 and 6	
September 23	Exam #1	
September 27	Chapter 6	SCAD 1 & 2 Due October 8
October 4	Chapter 6: Internal control	
October 11	Chapter 8,9: Sampling	SCAD 3 Due October 22
October 18	Chapter 9 continued	
October 25	Chapter 10: Auditing the Revenue cycle	
November 1	Chapter 17: Completing the audit	
November 4	Exam #2	
November 8	Chapter 17: continued	SCAD 4 Due November 12

November 15	Chapter 18 Audit Reports	
November 22	Thanksgiving break	
November 29	Chapter 21- Other Assurance Services	SCAD 6 & 7 Due December 3
December 6	Chapter 19: Professional Ethics	Group review meetings

FINAL EXAM: Thursday December 16, 7:30-9:30 AM.

The Case of the Fragile Grandmother

One Tuesday morning, Phyllis walked in to her office building in the Pete Sells Coopers School of Accounting Building. When she reached her office, she was surprised to see a number of pink phone message slips on her door. Depositing her book bag on the desk, she sorted the notes. Four of them were from a single student, who apparently urgently needed to speak with her.

Phyllis telephoned the number given, leaving a message at the student's fraternity.

Within an hour, he returned the call. He stated, "Boy, am I glad to hear from you—I tried to reach you all day yesterday. I need an incomplete in your accounting class. On Sunday, my Mother called to tell me that my Grandmother is very ill. In fact, she's in the hospital and it appears that she will not recover." His voice breaking, he went on, "My Grandmother and I are very close, in fact, well, I'm her favorite Grandson. I really have to see her one more time. My Mom got me a plane ticket home. Since it's so close to Christmas, the only flight she could get me is tomorrow—before your Thursday final."

Phyllis said that she needed to think about it and do some checking. She would call him back as soon as she could. Phyllis opened the university catalog to review the rules regarding incompletes. There were three criteria listed:

1. The student must be passing.
2. It must be within the last two weeks of the term.
3. The student must be prevented from taking the final by circumstances beyond his or her control.

As Phyllis reflected on the decision she must make, she was reminded of the definition of an audit from a class she had taught. "Auditing is the accumulation and evaluation of evidence about a set of information and measurement of the correspondence of the information and established criteria. Auditing should be done by a competent, independent person." The definition appeared to fit this situation.

Answer the following questions about Phyllis's situation.

1. Is Phyllis a competent, independent person with respect to the student's request?
2. The information in the student's statement can be viewed as a set of assertions about his situation. List the assertions he is making.
3. What effective evidence can Phyllis obtain that will help her decide what to do with the request for incomplete?
4. What is the most *efficient* evidence Phyllis can collect, i.e. what's sufficient but is the easiest for her?
5. Give three examples of information that contains assertions that can be tested. Include at least one in a business setting?

