**ACG 4651 section 002**

**CRN 14633**

**Auditing and Assurance Services**

**Professor Information**

Julia Higgs

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Please provide your name, phone number and course number in all communication.

**Teaching Assistant Information**

Name: Michael Killey

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**Office Hours (all times EST or EDT)**

Office hours on Boca campus: Tuesday 3-4 and 6-7pm

Always available by appointment (see cell phone number)

# Required Text and Materials

Auditing and Assurance Services: A Systematic Approach by Messier, Glover and Prawitt, 9th Edition McGraw Hill,

2014 Wiley CPA Review, Auditing and Attestation

2014 Wiley CPA Review, Regulation

Online access to the FASB codification: Go to <http://aaahq.org/ascLogin.cfm>

Username – AAA51093

Password – hMg5knC

This is not to be shared with anyone outside of FAU and is valid through July 2014.

The course will be delivered in part using the Blackboard online software. You may access Blackboard by typing blackboard.fau.edu into your browser address. The following link provides a blackboard tutorial: <http://ondemand.blackboard.com/students.htm>

**Course Description**

 An introduction to and overview of auditing concepts and techniques. Emphasis is placed on concepts and techniques applicable to the integrated audits of financial statements and internal controls over financial reporting performed by independent certified public accountants.

**Course Prerequisites and Credit Hours and Class Time Commitments**

Prerequisite: ACG 3141 and ACG 4401 (3 semester hours).

According to Florida State Statute 6A-10.033, students must spend a minimum 2,250 minutes of in class time online equivalent during a 3-credit course. Additionally, students enrolled in

a 3-credit course are expected to spend a minimum of 4,500 minutes of out-of-class-time specifically working on course-related activities (i.e., reading assigned pieces, completing homework, preparing for exams and other assessments, reviewing class notes, etc.) and fulfilling any other class activities or duties as required.

**Supplemental Course Description**

This course covers the basic information to understand the role of auditing in society, the regulatory environment of auditing, how audits are planned an performed, and

**Course Learning Objectives**

In lieu of overall course learning objectives, learning objectives, by topic and chapter, have been provided in the syllabus. See the course outline below for these.

**Grading Scale**

**NOTE: Your instructor has problems making BB work properly sometimes. Thus, do not rely on the cumulative grades in blackboard to assess your standing in the class.**

|  |  |  |
| --- | --- | --- |
| **Grade** | **Minimum** | **Maximum** |
| **A** | **92** | **100** |
| **A-** | **90** | **91.99** |
| **B+** | **88** | **89.99** |
| **B** | **82** | **87.99** |
| **B-** | **80** | **81.99** |
| **C+** | **78** | **79.99** |
| **C** | **70** | **77.77** |
| **D** | **60** | **69.99** |
| **F** | **0** | **59.99** |

**Course Evaluation Method**

Your grade is determined as follows:

|  |  |  |
| --- | --- | --- |
| **Due dates are included in the blackboard material** | | |
| Attendance and participation | 10% | Attendance and participation is an important component of the course. Showing up for class is a necessary but not sufficient condition for earning these points. Students must be actively engaged in the course. The following suggests that a student may not be engaged:   * working on the computer * few or limited questions * limited participations in discussions * talking in class neighbors   Students must be in the classroom when role is taken to get credit for attendance. |
| Assignments | 30% | All assignments together make up 30% of the grade. However, all assignments may not have the same value. For example, a detailed writing and research assignment will be weighted more than a small assignment. The value of each assignment will be announced at the time of the assignment. The vouch and trace assignment will be weighted more than the others. |
| Exams | 60% | There are three exams throughout the semester worth 20% of the grade each. Students who miss an exam may take the optional comprehensive final to substitute the missed grade. The final can only improve the grade if students elect to take it. |

**Additional Course Policies**

**Hurricanes and other Bad Things:** The course schedule may be adjusted in the event of hurricanes or other disasters. The instructor cannot individually cancel classes.

**Missing Exams and Late Assignments**

In order to make up an exam, students must notify the instructor timely of the reason for the missed class or assignment. Students must provide written documentation substantiating the legitimacy of the reason for the missed exam or assignment. Students may substitute the grade on the optional comprehensive final for any missed exams.

**Attendance Policy**

Attendance is based on meeting the requirements of the course. Some of the requirements may include a mandatory person to person communication, working on group projects, or completing required assignments and quizzes.

**Etiquette and/or Netiquette Policy**

To promote a positive learning environment, students are reminded to be respectful of others during the class. Students should not engage in any behaviors that would make others feel uncomfortable including, but not limited to, inappropriate emails, phone calls, or postings to the class blackboard page.

**Anti-plagiarism Software**

Written components of any assignment or project may be submitted to anti-plagiarism software to evaluate the originality of the work. Any students found to be submitting work that is not their own will be deemed in violation of the University’s honor code discussed above.

**Blackboard and Connect**

If you have problems using Blackboard please contact the FAU helpdesk.

**Changes**

Specific assignments, topics covered, and due dates are tentative may be adjusted as needed by the professor in order to deliver this course in the most effective way.

**Course Outline**

|  |  |  |
| --- | --- | --- |
|  | Module | Learning Objectives |
| January 7 | Chapter 1 An Introduction to Assurance and Financial Statement Auditing  Chapter 2 The Financial Statement Auditing Environment  (out of class, explore the AICPA and PCAOB web pages; understand the parts where standards are described)  (out of class; find the audit report of a publicly traded company for 2013 using the SEC EDGAR system) | Explain the **demand for audits**  **Know the basic parts of an unqualified audit report**  Describe the **organization of CPA firms and the services they offer**  Describe and define **management assertions** and distinguish between those offered by the PCAOB and ASB  List and explain the **requirements for becoming a CPA**  Describe **careers available in auditing**  Describe the **fundamental principles of responsibilities**   * + Competence and capabilities   + Compliance with Ethical standards (independence and due care)   + Professional Skepticism and judgment   Describe and identify the **sources of GAAS** for audits of public companies, private companies, governments and international companies  Describe the **fundamental principles of performance**   * + Reasonable assurance   + Planning and supervision   + Materiality   + Risk assessment   + Audit risk   Describe the **fundamental principles of reporting**  Describe the **role of the PCAOB in inspections** |
| January 14 | Chapter 19 Professional Conduct, Independence, and Quality Control  (out of class; research CPA who has been disciplined by a regulator; write one page summary) | Identify and describe the ethics requirements under the **code of conduct and the SEC independence rules**  **Apply ethics requirements** (i.e. independence rules) to different situations  Identify how various entities **discipline CPAs** who violate the rules  Describe the **quality control requirements** in CPA firms |
| January 21 | Chapter 20 Legal Liability  (out of class; watch online video Bigger than Enron; write a one page summary) | Identify and describe **auditors’ exposure to lawsuits and loss judgments**  Specify the characteristics of auditors’ liability under **common law**  Specify auditor’s liability under **statutory law**  Specify the civil and criminal liability provisions under the **Securities Exchange Act of 1933**  Specify the civil and criminal liability provisions under **the Securities Exchange Act of 1934**  List and describe the provisions of the **Sarbanes-Oxley Act** and how these affect the accounting profession  List and describe laws that have affected CPAs’ liabilities  List and describe laws that directly affect the work of CPAs   * + Foreign Corrupt Practices Act   + Frank Dodd Act |
| Exam 1 | January 28 |  |
| February 4, | Chapter 3 Audit Planning, Types of Audit Tests, and Materiality  (out of class; find an 8-K filing where a company has reported a change in auditor; write up one paragraph on what you did to turn in and what was in the 8-k filing) | List and describe pre-engagement activities  Explain the process when there is a change of auditors including the responsibilities of successor and predecessor auditors.  Describe the planning process of an audit  Explain audit process regarding the work of specialists  Explain how external auditors can use the work of internal auditors  Define materiality, explain its importance and be able to defend pre-engagement estimates of qualitative and quantitative materiality. |
| February 11 | Chapter 4 Risk Assessment  (out of class; identify a case where a company has been subject to employee fraud. Write a page describing the crime, the causes and consequences.) | Explain auditors’ responsibility for risk assessment, and define and explain the differences among several fraud and errors that might occur in an organization  Describe the audit risk model and explain the meaning and importance of its components in terms of professional judgment and audit planning  Be able to recognize sources of inherent risk factors including the client’s business and environment  Explain ways for assessing risks including analytical procedures, brainstorming and inquiries Explain ways that auditors can respond to identified risks.  Be able to identify the auditors responsibility for fraud that has an indirect effect on the financial statements  Identify and explain the fraud triangle  Describe techniques that can be used to prevent employee fraud |
| February 18 25 | Chapter 6 Internal Control in a Financial Statement Audit  Chapter 7 Auditing Internal Control over Financial Reporting  (out of class; based on the list provided by the instructor, find two companies that received an adverse opinion on internal controls. Turn in copies of the auditor’s report. Do not turn in management report) | Define and describe internal control and explain the limitations of an internal control system  Distinguish between the responsibility of management and auditors regarding an entity’s internal control  Define and describe the five basic components of internal control (COSO framework) and specify some of their characteristics  Explain the process auditors use to assess risk and how this affects the nature, timing and extent of testing  Describe the responsibilities for testing internal control under SOX  List the components of the auditor’s report on internal control under AS 5  Describe situations when the report on internal control would be modified  Explain the required communications regarding internal controls.  Find examples of companies that had a weakness in internal controls and be able to describe the underlying control weakness. |
| March 11 | Chapter 5 Evidence and Documentation  (out of class; find an example of where audit confirmation fraud resulted in a failed audit. Write up one page describing what happened) | List and describe the eight types of audit procedures for gathering audit evidence  Define the proper form and content of audit documentation  Review auditing tests for   * Confirmation of Cash * Confirmation of A/R * Reconciliations of Cash * Tests of Inventory * Tests of Payroll * Tests of Property Plant and Equipment |
| March 18 | Exam 2 |  |
| March 25 | Chapter 10 Auditing the Revenue Process  (from the SEC accounting and auditing enforcement releases, identify a company that misreported revenue. Write one page explaining the details of what happened to misrepresent revenue.) | Discuss the inherent risks in the revenue and collection cycle  Describe the revenue and collection cycle including typical controls and source documents  Give examples of tests of controls  Give examples of substantive procedures in the revenue and collection cycle and explain how these tie to the assertions about account balance  Describe common errors and frauds in the revenue cycle; explain what common audit tests can detect these |
| April 1 | Chapter 8 Audit Sampling: An Overview and Application to Tests of Controls  Chapter 9 Audit Sampling: An Application to Substantive Tests of Account Balances  (out of class; work with your group to complete the vouch and trace assignment) | Understand the basic principles of sampling, including the difference between statistical and non-statistical sampling  List the steps in implementing a sampling plan  Identify two examples when sampling would be used in an audit; recognize when sampling should not be used  Define attribute and variables sampling and explain how each is used in an audit  Identify the objectives of attribute sampling; define deviation conditions and the population  Understand factors that influence sample size  Calculate the sample size for an attribute sample  Identify methods for selecting an attribute sample  Evaluate the results of an attribute sampling application  Define sequential and discovery sampling and describe when these are appropriate Understand how to apply nonstatistical sampling to attribute testing  Define variables sampling and identify when it should be used  Understand how monetary unit sampling (MUS) is used  Identify the factors affecting the sample size of an MUS and calculate the sample size  Evaluate sample results for MUS  Understand the use of nonstatistical sampling for variables sampling |
| April 9 | Chapter 17 Completing the Audit Engagement  (out of class; find company with contingency disclosure in 10-k; identify two audit tests that would have been useful to test the disclosure. Write up one page explaining your work. | Identify major activities performed by the auditors in completing substantive tests  Explain the role of attorney letters in evaluating litigation, claims and assessments  Explain why auditors obtain written representations and identify the key components of the representations  Identify the final steps in the completion of an audit  Explain the regulatory requirements for subsequent events  Explain the auditor’s responsibility for communicating to those charged with governance |
| April 15 | Chapter 18 Reports on Audited Financial Statements  (out of class; from list provided by teacher; obtain copy of audit reports; turn in) | Describe the parts and format of a standard audit report  Identify the different audit reports used for financial statements.  Describe when each report is appropriate. Explain how qualified and reports deviates from the standard audit report   * + Modification 1 (Going Concern)   + Modification 2 (Departure from GAAP)   + Modification 3 (Group Audits)   + Modification 4 (Consistency)   + Modification 5 (Emphasis of a matter)   Explain PCAOB proposed changes to the audit reports |
| April 22 | EXAM 3 |  |
| April 29 | Optional Comprehensive Final |  |

**Selected University and College Policies**

**School of Accounting Policies**

You are responsible for School of Accounting policies at <http://business.fau.edu/departments/accounting/school-of-accounting-policies/index.aspx>. ***These policies are considered to be an integral part of this syllabus***.

**Code of Academic Integrity Policy Statement**

Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty is considered a serious breach of these ethical standards, because it interferes with the university mission to provide a high quality education in which no student

enjoys an unfair advantage over any other. Academic dishonesty is also destructive of the university community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see [University Regulation 4.001](http://www.fau.edu/regulations/chapter4/index.php).

**Disability Policy Statement**

In compliance with the Americans with Disabilities Act Amendments Act (ADAAA), students who require reasonable accommodations due to a disability to properly execute coursework must register with the Office for Students with Disabilities ([OSD](http://osd.fau.edu/))—in Boca Raton, SU 133 (561-297-3880); in Davie, LA 203 (954-236-1222); or in Jupiter, SR 139 (561-799-8698) —and follow all OSD procedures.

**Religious Accommodation Policy Statement**

In accordance with rules of the Florida Board of Education and Florida law, students have the right to reasonable accommodations from the University in order to observe religious practices **and beliefs with regard to admissions, registration, class attendance and the scheduling of** examinations and work assignments.  For further information, please see [Academic Policies and Regulations](http://www.fau.edu/academic/registrar/catalog/academics.php).

**University Approved Absence Policy Statement**

In accordance with rules of the Florida Atlantic University, students have the right to reasonable accommodations to participate in University approved activities, including athletic or scholastics teams, musical and theatrical performances and debate activities. It is the student’s responsibility to notify the course instructor at least one week prior to missing any course assignment.

**College of Business Minimum Grade Policy Statement**

The minimum grade for College of Business requirements is a “C”. This includes all courses that are a part of the pre-business foundation, business core, and major program. In addition, courses that are used to satisfy the university’s Writing Across the Curriculum and Gordon Rule math requirements also have a minimum grade requirement of a “C”. Course syllabi give individualized information about grading as it pertains to the individual classes.

**Incomplete Grade Policy Statement**

A student who is passing a course, but has not completed all work due to exceptional circumstances, may, with consent of the instructor, temporarily receive a grade of incomplete (“I”). The assignment of the “I” grade is at the discretion of the instructor, but is allowed only if the student is passing the course.

The specific time required to make up an incomplete grade is at the discretion of the instructor. However, the College of Business policy on the resolution of incomplete grades requires that all work required to satisfy an incomplete (“I”) grade must be completed within a period of time not exceeding one calendar year from the assignment of the incomplete grade. After one calendar year, the incomplete grade automatically becomes a failing (“F”) grade.

**Withdrawals**

Any student who decides to drop is responsible for completing the proper paper work required to withdraw from the course.

**Grade Appeal Process**

A student may request a review of the final course grade when s/he believes that one of the following conditions apply:

* There was a computational or recording error in the grading.
* Non-academic criteria were applied in the grading process.
* There was a gross violation of the instructor’s own grading system.

The procedures for a grade appeal may be found in [Chapter 4 of the University Regulations](http://www.fau.edu/regulations/chapter4/index.php).

**Disruptive Behavior Policy Statement**

Disruptive behavior is defined in the FAU Student Code of Conduct as *“... activities which interfere with the educational mission within classroom.”* Students who behave in the classroom such that the educational experiences of other students and/or the instructor’s course objectives are disrupted are subject to disciplinary action. Such behavior impedes students’ ability to learn or an instructor’s ability to teach. Disruptive behavior may include, but is not limited to: non-approved use of electronic devices (including cellular telephones); cursing or shouting at others in such a way as to be disruptive; or, other violations of an instructor’s expectations for classroom conduct.

**Faculty Rights and Responsibilities**   
Florida Atlantic University respects the right of instructors to teach and students to learn. Maintenance of these rights requires classroom conditions which do not impede their exercise. To ensure these rights, faculty members have the prerogative:

* To establish and implement academic standards
* To establish and enforce reasonable behavior standards in each class
* To refer disciplinary action to those students whose behavior may be judged to be disruptive under the Student Code of Conduct.