

6A:144 Auditing
Tippie School of Business
University of Iowa
Fall 2009

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Course Objectives:

- Develop a conceptual understanding of the audit process and the necessary procedures to meet audit objectives.
- Develop analytical and critical thinking skills necessary to perform quality audits.
- Emphasize the ethical issues encountered in audits and the importance of proper decision-making and reporting.
- Develop written and oral communication skills with homework assignments, case studies, article reports, and class discussions.

Textbook:

Messier, Glover, Prawitt, Auditing & Assurance Services, 6th edition, McGraw-Hill, 2008.

Grades:

Points are earned as follows:

Exams:

Exam I	100 points	
Exam II	100 points	
Exam III	100 points	
Final Exam	<u>100 points</u>	400

Assignments:

Chapter homework	125 points	
Risk analysis case	30 points	
Worldcom case	15 points	
Kurzweil case	15 points	
Waste Management case	15 points	
Article report	20 points	
McGladrey Speaker Series	10 points	
Writing assessment	20 points	<u>250</u>
Total points		<u>650</u>

Letter grades use the plus/minus system and are based on percentage of cumulative points earned. Students can meet with me at any time during the semester for information on course standing.

Course Policies:

Course policies are governed by the Tippie School of Business. See the "Tippie School Policies" file posted on the ICON course page.

Exams:

If an illness or extenuating circumstance prevents a student from taking the regularly scheduled exam, he or she must make arrangements with the professor **prior** to the exam. Failure to do so will result in an unexcused absence and a score of zero will be awarded on that exam.

Cases:

Case assignments may be completed individually or in groups of 2-3 students. Students working in groups will submit one assignment with each name listed. Cases are due at the start of class. Assignments turned in late on the due date will receive half credit, and assignments turned in after the due date will receive no credit. The cases **must be typed**.

Chapter Homework:

Homework assignments are due at the start of class and **must be typed**. The lowest four homework assignments will be dropped at the end of the semester. Late homework will not be accepted (that's what the drops are for!). If class is missed for any reason, full credit can be earned by turning in the homework assignment to my office (or by e-mail) **prior** to class. You may consult with friends on the homework assignments, but every student must compose, complete, and submit their own homework assignment. Violations of this policy will receive no credit. Homework assignments will be evaluated on **effort, completeness, clarity, and accuracy**.

Article Reports:

Each student will prepare one **typed** report (maximum 2 pages) of a recent auditing article from a professional publication. Students will be randomly assigned into two groups to determine the due date. Group 1 article reports are due on October 29 and Group 2 article reports are due on November 12.

McGladrey Speaker Series:

Students will attend the annual McGladrey Speaker Series on Monday, Oct. 12, 6:00-7:30 in C20 Pomerantz Center. The speaker is Jay Hanson, chair of the AICPA's AcSEC Committee and senior audit partner with RSM McGladrey in Minneapolis. Students who are unable to attend may complete a written summary of the AcSEC's mission and current projects to obtain the points.

Writing Assessment:

The writing assessment will be completed in class on December 8 as part of the Accounting Department's writing program.

Free Late Policy:

Each student is allowed one late submission of a homework assignment, case, or article report. An assignment is considered late when a student arrives late to class or does not submit the assignment at the start of class. The assignment must be submitted by the end of the class period to qualify for the free late.

Course schedule:

<u>Date</u>	<u>Topic</u>	<u>Reading Assignment</u>	<u>Written Assignment</u>
Aug. 25	Introduction to auditing	Article 1	None
Aug. 27	Introduction to auditing	Chapter 1; Article 2	1-3, 1-9, 1-13, 1-17, 1-18, 1-20
Sept. 1	Auditing environment	Chapter 2; Article 3	2-2, 2-6, 2-17, 2-19, 2-26
Sept. 3	Professional ethics	Chapter 19; Article 4	19-5, 19-11, 19-16, 19-17, 19-28 (Req. 1)
Sept. 8	Professional ethics	Chapter 19; Article 5	19-20, 19-21, 19-22, 19-26, 19-29
Sept. 10	Legal liability	Chapter 20; Article 6,7	20-2, 20-6, 20-7, 20-14, 20-17, 20-19
Sept. 15	Audit risk model	Chapter 3; Article 8	3-2, 3-7, 3-14, 3-15, 3-25
Sept. 17	Materiality	Chapter 3; Article 9	Risk Analysis Case (3-32 part a)
Sept. 22	Exam I		
Sept. 24	Audit evidence	Chapter 4	4-3, 4-4, 4-12, 4-13, 4-15, 4-17
Sept. 29	Audit documentation	Chapter 4	4-11, 4-19, 4-20, 4-23, 4-24
Oct. 1	Audit planning	Chapter 5	5-8, 5-9, 5-16, 5-17, 5-20, 5-21, 5-33
Oct. 6	Audit testing	Chapter 5	5-10, 5-13, 5-24, 5-26, 5-37
Oct. 8	Internal controls	Chapter 6	Worldcom Case
Oct. 12 (Monday)	McGladrey Speaker Series, 6:00-7:30 p.m., C20 Pomerantz Center		
Oct. 13	Auditing internal controls	Chapter 7; Article 10	6-13, 6-14, 6-18, 6-23, 6-31
Oct. 15	Auditing internal controls	Chapter 7; Article 11	7-20, 7-21, 7-24, 7-35
Oct. 20	Audit sampling	Chapter 8	8-4, 8-12, 8-13, 8-14, 8-20
Oct. 22	Exam II		
Oct. 27	Revenue process	Chapter 10	10-4, 10-7, 10-15, 10-16, 10-18, 10-24

Oct. 29	Revenue process	Chapter 10	10-10, 10-20, 10-23, 10-28 <u>or Article Report (Group 1)</u>
Nov. 3	Acquisition process	Chapter 11	Kurzweil Case
Nov. 5	Acquisition process	Chapter 11	11-11, 11-13, 11-14, 11-18, 11-20, 11-22, 11-27
Nov. 10	Human resources process	Chapter 12	12-6, 12-15, 12-18, 12-23, 12-26
Nov. 12	Inventory management process	Chapter 13	13-6, 13-15, 13-19, 13-21, 13-23, 13-32 <u>or Article Report (Group 2)</u>
Nov. 17	Investing process (LT assets)	Chapter 14	14-2, 14-15, 14-17, 14-19, 14-21, 14-27
Nov. 19	Exam III		
Nov. 24	Thanksgiving break		
Nov. 26	Thanksgiving break		
Dec. 1	Financing process (LT Debt and equity) and income statement	Chapter 15	Waste Management Case
Dec. 3	Cash and marketable securities	Chapter 16	15-19, 15-23, 16-11, 16-12, 16-16
Dec. 8	Completing the audit (Writing assessment in class)	Chapter 17	17-7, 17-13, 17-15, 17-19, 17-25
Dec. 10	Audit reports	Chapter 18	18-10, 18-14, 18-16
Dec. 16 (Wednesday)	Final exam, 7:00 p.m.		

Articles:

1. Opdyke, Jeff. "Fraud Perpetrator Points Finger at Auditors for Lax Standards", *Wall Street Journal*, 3/01/2002.
2. Efrati, Amir, Tom Lauricella, and Dionne Searcey. "Top Broker Accused of \$50 Billion Fraud", *Wall Street Journal*, 12/12/2008.
3. Carey, Susan. "Roots of \$3 Billion Fraud Case Lie in DVD Players, Not CDOs", *Wall Street Journal*, 4/22/2009
4. Sheth, Niraj, Jackie Range, and Geeta Anand. "Corporate Scandal Shakes India", *Wall Street Journal*, 1/8/2009.
5. Pulliam, Susan. "A Staffer Ordered to Commit Fraud Balked, Then Caved", *Wall Street Journal*, 6/23/2003.
6. Enrich, David. "Audit Panels Face Reckoning In Credit Mess", *Wall Street Journal*, 4/8/2008.
7. Dugan, Ianthe Jeanne and David Crawford. "Accounting Firms That Missed Fraud at Madoff May Be Liable", *Wall Street Journal*, 2/19/2009.
8. Byrnes, Nanette. "The Comeback of Consulting", *Business Week*, 9/3/2007.
9. McWilliams, Gary and Kara Scannell. "Profit Tweaking May Lose Favor After Enron Trial", *Wall Street Journal*, 2/16/2006.
10. Lucchetti, Aaron and Carolyn Cui. "Safety Net Breaks Again", *Wall Street Journal*, 2/29/2008.
11. Panko, Raymond. "Controlling Spreadsheets", *Information Systems Control Journal*, 2007.