

Course Information

<i>Course Number-Section</i>	ACCT 6382.501.14F	Class no. 85067
<i>Course Title</i>	Advanced Auditing	
<i>Term</i>	Fall, 2014	August 25 – December 8
<i>Days & Times</i>	Mondays 7:00 pm – 9:45 pm	
<i>15 weeks</i>		
<i>Class Location</i>	JSOM 2.802	

Instructor Contact Information

<i>Instructor</i>	Lynn Jones, CPA, ABV, CFE
<i>Office Phone</i>	972-883-7524
<i>Email address</i>	lynn.jones@utdallas.edu
<i>Office Location</i>	ATC 1.901 Office location will change when JSOM II offices open
<i>Office Hours</i>	Mondays 2:30 pm – 4:00 pm Tuesdays 5:15 pm – 6:30 pm

Course Pre-requisites, Co-requisites, and/or Other Restrictions

ACCT 4334 or 6334 or evidence of working knowledge of US GAAS.

Course Description

Advanced Auditing (3 semester credit hours). Anticipated credit for 1 research hour within the 3 semester credit hours earned **pending approval by the Texas State Board of Public Accountancy.**

This course is an extension of ACCT 6334 with the addition of research requirements and assignments of the type that auditors perform in public practice. Designed as a heavily participative seminar-style course, lecture will comprise fewer classroom hours than student presentation and commentary. The subject matter includes the role and responsibilities of public accounting practitioners and firms in providing audit and other attest and/or assurance services. Emphasis is on services to SEC registrant (publicly-traded) companies including audit challenges associated with complex accounting arising from estimates, projections and valuations.

The course consists of three components: a) a detailed look at the professional standards published by the PCAOB and those separately promulgated by the AICPA; b) multi-week student performance of selected auditing areas using a fictitious company as client; and c) a significant research project which culminates in a written report and an oral presentation by students. Research may be drawn from accounting and auditing standards, PCAOB inspection reports and/or adjudicated actions, practical issues in auditing multinational companies, or professional responsibilities associated with attest services.

The course is planned as both education and development of students' audit experience and judgment, both of which are necessary for a career in assurance services within the public accounting profession.

Note: This section is not for those pursuing an internal audit career. There are other sections of ACCT 6382 with emphasis appropriate to an internal audit track.

Student Learning Objectives/Outcomes

<u>Learning Goal or Objective</u>	<u>Learning Outcome or Assessment</u>
Extend understanding of auditing standards and the application of audit procedures to situations found in publicly-traded entities.	Readings from the text Lecture and class discussions Student work product in conformity with professional standards
Refine students' understanding of audit risk assessment, planning of audit procedures, and documentation of understandings with clients.	Development of audit documentation (as assigned) for the Apollo Shoe audit case Class discussion of Apollo Shoe audit challenges, data and other documentation.
Extend understanding of the auditors' responsibility to collect and evaluate audit evidence.	Development of audit documentation (as assigned) for the Apollo Shoe audit case Class discussion of Apollo Shoe audit challenges, data and other documentation.
Develop familiarity with research of the scope and application of auditing standards to difficult accounting situations requiring research of underlying accounting standards, interpretation of client's application of such accounting standards and, based on the accounting research, development of audit procedures associated with the area of complex accounting.	Research project Development of research report Development of flowcharts or other graphic descriptions of applicable GAAP and audit procedures corresponding to the application of accounting standards researched.
Enhance students' written communication and oral presentation skills	Development of research report Development of flowcharts or other graphic descriptions of applicable GAAP and audit procedures corresponding to the application of accounting standards researched.

Required Textbooks and Materials

Textbook 1: *Auditing & Assurance Services*, 6th edition, McGraw-Hill Irwin, by Louwers, Ramsay, Sinason, Strawser and Thibodeau. ISBN 978-0-07-786234-3. This book includes a CD containing ACL software. The CD is not required.

Textbook 2: *Practitioners Guide to GAAS 2014*, John Wiley & Sons, Inc., by Joanne M. Flood. ISBN 978-1-118-87221-5 (paperback) or 978-1-118-87220-8 (e-book).

Assignments & Academic Calendar

Students should read the Chapters (including appendices and the key terms section which appears at the end of each chapter) as well as Modules listed in the chart below in advance of the class meeting for which the topic is scheduled.

An outline of the course which summarizes assignments follows. See notes after the outline regarding specific research assignments.

Course Outline:

Course Outline: ACCT 6382.501.14F					Advanced Auditing
Week	Day	Date	Subject/Reference	Lecture, Discussion or Assignment Due	Subject Matter/Assignments Due
1	Mon	Aug 25	AU-C 200 The Auditors' Responsibilities and Functions	Lecture	Review of AU-C 200, <i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards</i>
			PCAOB Auditing Standard 12 Identifying and Assessing Risks of Material Misstatement PCAOB Auditing Standard 13 The Auditor's Responses to the Risks of Material Misstatement PCAOB Auditing Standard 16 Communication with Audit Committees	Discussion	Review of PCAOB Auditing Standard 12, Identifying and Assessing Risks of Material Misstatement; PCAOB Auditing Standard 13, The Auditor's Responses to the Risks of Material Misstatement; and PCAOB Auditing Standard 16, Communication with Audit Committees
			Apollo Shoe Audit Case	Lecture	Overview of Apollo Shoe exercise
	Mon	Sep 1	Labor Day Holiday -- UT Dallas closed		
2	Mon	Sep 8	AU-C 210 Terms of Engagement AU-C 230 Audit Documentation Apollo Shoe case page 6, Wardlaw memo paragraphs 2 & 3	Assignment 1 Due	Draft an engagement letter for the audit of Apollo Shoe. If you cannot estimate the number of staff needed or the number of hours, find the audit fees paid by one or more similar companies and use that as a basis to estimate our fees. Be prepared to explain calculations. Draft a Staffing memo as well.
			PCAOB Auditing Standard 8 Audit Risk PCAOB Auditing Standard 9 Audit Planning PCAOB Auditing Standard 10 Supervision AU-C 300 Planning an Audit	Discussion	Discussion of audit strategy, planning and engagement letters
3	Mon	Sep 15	PCAOB Auditing Standard 11 Consideration of Materiality in Planning and Performing an Audit AU-C 315 Understanding the Entity and Its Environment... AU-C 320 Materiality in Planning and Performing an Audit Apollo Shoe Audit Case - Tab 1 "Planning"	Assignment 2 Due	Read Apollo's New Computer Documentation, the Organization Chart and the company background information. Perform the Analytical procedures as described at page 45 of the case (Wardlaw email of 6 January 2015) including the summarizing memo. Prepare a memo addressing materiality for the Apollo audit as described at page 46 (Wardlaw email of 15 January 2015).
					Read the Apollo Shoe Board minutes, taking notes for audit documentation as appropriate. Your notes should reflect any unusual events or matters of concern that might indicate higher audit risk in specific areas.
				Discussion	Discussion of analytical procedures performed and inferences drawn from the procedures. Discussion of audit materiality, required considerations concerning materiality and the importance of setting materiality thresholds by account in some risk environments.

4	Mon	Sep 22	Internal Control Environment Revenue Cycle	Assignment 3 Due	Complete the <u>internal control questionnaire</u> and related evaluation for the Revenue Cycle. Follow instructions at page 52 of the Apollo shoe case (Wardlaw email dated 13 January 2015) and questionnaire at page 53.
			PCAOB Auditing Standard 5 An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements PCAOB Auditing Standard 6 Evaluating Consistency of Financial Statements	Discussion	Discussion of general considerations for evaluating internal controls and specific considerations for considering control-financial statement relationships when reporting on internal controls for public company clients.
5	Mon	Sep 29	Apollo Shoe Audit Case	Assignment 4 Due	Draft a <u>management representation letter</u> as well as the <u>management certification statement</u> for this year's 10-K. Follow instructions at page 141 (Wardlaw email dated 16 February 2015). Prepare a schedule summarizing your proposed adjustments to the financial statements in accordance with instructions at page 142 (Wardlaw email dated 18 February 2015).
				Discussion	Selected student ad hoc presentations of proposed adjustments, basis of the adjustment and audit evidence supporting the need for such adjustment.
6	Mon	Oct 6	PCAOB Auditing Standard 15 Audit Evidence AU-C 500 Audit Evidence AU-C 501 Specific Considerations for Selected Items	Lecture	Types of audit evidence and related hierarchy. Documentation associated with specific types of audit evidence. Disposition of documentation collected that is not audit evidence.
			Apollo Shoe Audit Case	Assignment 5 Due	Draft the audit report (opinion letter) for Apollo Shoe in accordance with instructions at page 145 (Wardlaw email dated 28 February 2015) as well as a memo to files regarding going concern considerations.
7	Mon	Oct 13	Accounting and Auditing Research Project	Lecture	Research Project explained by instructor (See Details 3 lines down)
				Library Resources	Description of tangible and on-line accounting research resources available to students through McDermott library by either Loreen Henry, JSOM library liaison, or Alex Rodriguez, subject matter liaison.
				Communication Form	Overview of proper form for citations of source information by Elizabeth Bruce, Coordinator, JSOM Business Communication Center or her designate.

8	Mon	Oct 20	Forensic Accounting: Assurance Engagements	Assignment 6 Due	Review Chapter 6 of the Louwers textbook, then work problems 6.60 & 6.61. Read and consider problem 6.62. A template is provided on eLearning for the developing a solution to 6.61.
			Textbook Problems 6.60, 6.61, 6.62	Discussion	Special considerations relating to forensic engagements, approach to and solutions for problems 6.60, 6.61 6.62
9	Mon	Oct 27	Module A: Other Public Accounting Services	Lecture/Discussion	Instructor review of relevant standards for attest and assurance services other than financial statement audits based on GAAP and the related reporting for such engagements.
			AR 60-90 Compilation and Review of Financial Statements		
			AR 120 Compilation of Pro Forma Financial Information		Discussion of situations wherein a client may want specialized or narrowly-defined services, and the risks borne by practitioners in delivering such services.
10	Mon	Nov 3	Accounting and Auditing Research Project	Workshop	Workshop session -- Instructor and TA assistance to students regarding research project and report writing
11	Mon	Nov 10	Accounting and Auditing Research Project	Assignment 7 (Report) Due	Research Project reports due to instructor by 11:59pm
			No class meeting - time allotted to research project completion		
12	Mon	Nov 17	Accounting and Auditing Research Project	Assignment 8 (Student Presentations)	Student presentation of Research Projects, 20-30 minutes each.
	Mon	Nov 24	Fall break - UT Dallas closed		
13	Mon	Dec 1	AU-C 265 Communicating Internal Control Related Matters Identified in an Audit AU-C 402 Audit Considerations Relating to an Entity using a Service Organization	Lecture/Discussion	Discussion of initial and ongoing communications with audit committees or others charged with governance.
			QC 20-30-40 available at PCAOB Auditing Standard.org	Lecture/Discussion	Quality Control Standards for a public accounting firm's accounting and auditing practice
			http://pcaobus.org/Enforcement/Decisions/Documents/12-14_Nardi.pdf	Discussion	Read and be prepared to discuss the matter of Stephen G. Nardi, former partner with BDO Seidman, in consideration of a firm's obligation to maintain quality control standards for personnel charged with delivering attest services.

14	Mon	Dec 8	AU-C 240 Consideration of Fraud in a Financial Statement Audit	Assignment 9	Read The Dixon-Illinois case materials posted to eLearning. Start with the Chicago magazine story, then read the criminal complaint.
			AU-C 315 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement		Discussion
			AU-C 520 Analytical Procedures Financial statements and other documents on eLearning under the heading "Dixon Illinois case".	Assignment 10	Review the 2011 financial statements audited by Janet or Samuel Card (file names begin with "sc" or "jc") Review the 2011 financial statements compiled by Clifton Gunderson (file names begin with "cg").
				Discussion	Are discrepancies apparent within the financial statements that should have alerted the auditor to material misstatement? How would you have assessed the audit risk for this engagement for the year 2011? Research the Card CPA firm -- Did the firm have adequate capability to audit Dixon's financial statements in accordance with applicable professional standards? To what extent should Card and Clifton Gunderson have employed analytical procedures?
		Dec 12-18	Final Exams per university schedule		
Note: Chapters and timelines are subject to change at the discretion of the lecturer.					

Research Project 1 (referenced in course outline)

Part A: Research and summarize GAAP accounting for derivatives and hedging. Determine the bases for classifying derivative instruments as a hedge; Determine the categories of hedging addressed (fair value hedge, cash flow hedge) and accounting for derivative instruments not qualifying as a hedge (speculative/undesignated).

Part B: Determine the categories of derivative instruments that might be used in complex multinational operations, e.g., interest type/rate swaps, default swaps, foreign exchange hedges, fair value (commodity) hedges, and the criteria used to classify derivative instruments.

Part C: Assemble a concise matrix or cross-reference tool that could be used to reference characteristics of derivative instruments and business purpose of buying or selling the instrument to the appropriate GAAP classification.

Part D: Identify two or more notes to financial statements from public companies (for years ending after 2012) which describe the company's accounting for derivative instruments. [Note: multinational companies, companies dealing with commodities, insurers, reinsurers and large banks are likely to have such disclosure; smaller companies may not.] Reduce each note to layman's language, then based upon the company's description of the derivative instrument and related accounting, ascertain what you believe the business purpose of the position is/was.

Part E: Based on your research in parts A-C and the company-specific information in part D and the GAAS guide which is a textbook for this course, determine the inherent and control risks associated with auditing derivative instruments. Develop audit substantive procedures to audit a) derivatives held; b) derivatives which are net liabilities; and c) derivatives which are part of a hedge position.

Part F: Prepare a report in the form of a written narrative with sources referenced and footnotes

as appropriate explaining your research and findings, examples of company-reported accounting for derivatives, and the procedures an auditor might employ and the audit risks associated with auditing derivative positions.

Part G: Make a 10-20 minute presentation to the class summarizing your research and report.

Examinations, Research Project and Grading

ACCT 6382 is an intense, fast-paced and participant-driven course. A total of 10 assignments are included. Students are expected to complete each assignment timely and to be prepared to discuss assigned work on the date shown in the class schedule.

As an advanced graduate course, there are no exams per se. Rather grading is based on the quality of student work product responsive to assignments as well as active, respectful class participation. The chart following this section shows the grade weighting of assignments and participation.

Note that independent accountants and independent accounting firms enjoy a significant amount of trust from the public, which is largely due to the high ethical standards of the profession and practitioner adherence to those high standards. Unethical conduct in this course, such as academic dishonesty, will result in action by the instructor in accordance with university procedures outlined later in this document. Students planning to graduate this semester will in no way be excepted from such action.

There will be no extra credit projects. This course anticipates that most students will shortly accept, via employment with a public accounting firm, professional responsibilities to clients and to the public. As in public practice, the requirement for timely accomplishment of planned procedures and analysis is essential, and no amount of effort on another subject matter or after published deadlines can mitigate an initial deficiency or failure.

Grades – composition and weighting:

Grade Composition		
Assignment	Assigned subject matter and deliverables	weight
1	Engagement Letter	10%
2	Analytical procedures/Materiality Memorandum	10%
3	Internal control memorandum	10%
4	Management representation letter	10%
5	Opinion letter for Apollo Shoe	5%
6	Problems 6.60 & 6.61	5%
7	Research Project - 35% of total grade:	
	a Quality and thoroughness of Research	7%
	b Accuracy and thoroughness of report	7%
	c Intellectual rigor reflected in report	5%
	d Proper form of report	5%
	e Use of informative charts, graphs, images and/or exhibits	5%
8	Presentation of Research project	6%
Comprehensive including 9-10	Discussion & Participation demonstrating knowledge and application of concepts	<u>15%</u>
Total		<u>100%</u>

Grading Scale		
from	to	grade
90.0%	100.0%	A
88.0%	89.9%	A-
87.0%	87.9%	B+
80.0%	86.9%	B
78.0%	79.9%	B-
77.0%	77.9%	C+
70.0%	76.9%	C
0.0%	69.9%	F

The grade of "D" is not available in graduate level courses

Course & Instructor Policies

Your attendance at every class meeting is essential to your success in this course. I will not go over material missed due to a class absence nor will I respond to email requests about what was covered during class meetings a student missed. Students should read or review materials to be discussed in advance of each class meeting. I will cover concepts that are unclear to individual students either after class or during office hours.

Please turn cell phone ringers and ring tones off during class sessions. Any urgent calls should be taken outside the classroom – this means leaving the room if you answer a call.

Field Trip Policies **[NOTE: None anticipated for this course]**

Off-campus Instruction and Course Activities

Off-campus, out-of-state, and foreign instruction and activities are subject to state law and University policies and procedures regarding travel and risk-related activities. Information regarding these rules and regulations may be found at the website address http://www.utdallas.edu/BusinessAffairs/Travel_Risk_Activities.htm. Additional information is available from the office of the school dean. Below is a description of any travel and/or risk-related activity associated with this course.

Student Conduct & Discipline

The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern

student conduct and activities. General information on student conduct and discipline is contained in the UTD printed publication, *A to Z Guide*, which is provided to all registered students each academic year.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the *Rules and Regulations, Series 50000, Board of Regents, The University of Texas System*, and in Title V, Rules on Student Services and Activities of the university's *Handbook of Operating Procedures*. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391) and online at <http://www.utdallas.edu/judicialaffairs/UTDJudicialAffairs-HOPV.html>

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

Academic Integrity

The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.

Scholastic Dishonesty -- any student who commits an act of scholastic dishonesty is subject to discipline. Scholastic dishonesty includes but is not limited to cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts.

Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see general catalog for details). This course will use the resources of turnitin.com, which searches the web for possible plagiarism and is over 90% effective.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials, including music and software. Copying, displaying, reproducing, or distributing copyrighted works may infringe the copyright owner's rights and such infringement is subject to appropriate disciplinary action as well as criminal penalties provided by federal law. Usage of such material is only appropriate when that usage constitutes "fair use" under the Copyright Act. As a UT Dallas student, you are required to follow the institution's copyright policy (Policy Memorandum 84-I.3-46). For more information about the fair use exemption, see <http://www.utsystem.edu/ogc/intellectualproperty/copypol2.htm>

Email Use

The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email

address and that **faculty and staff consider email from students official only if it originates from a UTD student account.** This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. **UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at UT Dallas provides a method for students to have their UT Dallas mail forwarded to other accounts.**

Withdrawal from Class

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

Student Grievance Procedures

Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's *Handbook of Operating Procedures*.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

Incomplete Grade Policy

As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of **F**.

Disability Services

The goal of Disability Services is to provide students with disabilities equal educational opportunities. **Disability Services provides students with a documented letter to present to the faculty members to verify that the student has a disability and needs accommodations. This letter should be presented to the instructor in each course at the beginning of the semester and accommodations needed should be discussed at that time. It is the student's responsibility to notify his or her professors of the need for accommodation. If**

accommodations are granted for testing accommodations, the student should remind the instructor five days before the exam of any testing accommodations that will be needed.

Disability Services is located in Room 1.610 in the Student Union.

Office hours are Monday – Thursday, 8:30 a.m. to 6:30 p.m., and Friday 8:30 a.m. to 5:00 p.m.

You may reach Disability Services at (972) 883-2098.

Guidelines for documentation are located on the Disability Services website at

<http://www.utdallas.edu/disability/documentation/index.html>

Religious Holy Days

The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

These descriptions and timelines are subject to change at the discretion of the Professor.