"... it is not the strongest of the species that survives, or the most intelligent, but rather the one most responsive to change." Charles Darwin

INSTRUCTOR
Myron Mitsuyasu, CPA and MBA

CLASS MEETINGS and CLASSROOM
Thursday: 6:00 - 8:45 pm; BUSAD E202

OFFICE HOURS; TELEPHONE NUMBER; and E-mail ADDRESS
Thursday: 5:30 - 6:00 pm or by appointment; 541-5361; mmitsuya@hawaii.edu

COURSE DESCRIPTION
This course is designed to introduce students to and/or enhance their knowledge of auditing concepts including standards, objectives and ethics for external auditors. Emphasis will be on reporting standards, internal control, evidence, statistical sampling, IT audits and assurance. Also, this course is designated as Writing Intensive; thus, development and/or enhancement of your writing skills is an integral part of this course. Pre: 323 and 409, both with C- or better.

COURSE OBJECTIVES
• Introduce students to and/or enhance their knowledge of auditing concepts, practices, and processes;
• Have students review and analyze financial statements from an auditor's perspective; and
• Use various assignments to provide students the opportunity to display and enhance their critical thinking, writing, and presentation skills.

TEACHING PHILOSOPHY and FOCUS:
The Instructor considers interaction with and among students as being a necessary and vital part in achieving the objectives of the course. The following proverb epitomizes this teaching philosophy:

Tell me, I'll forget; Show me, I may remember; Involve me, I'll understand.

With that in mind, class-time will center on the students and the Instructor discussing scenarios and working through problems related to the various aspects of auditing financial statements.

This course is demanding. As a result, please manage your time accordingly so that this course can be a positive value-added experience.

STUDENT CONDUCT and ACADEMIC INTEGRITY
Each student should submit his/her own work. Attached is the University of Hawai`i at Mānoa's 2015-2016 Catalog, Campus Policies in regard to Student Conduct and Academic Integrity. Please take the time to review them. Also, please see the Spring 2016 Registration Guide for the official notification to students of important policies and information.

COURSE MATERIALS
• Auditing : A Risk Based-Approach to Conducting a Quality Audit (with ACL CD)

Resources:
• American Institute of Certified Public Accountants; http://aicpa.org
• Yahoo!Finance; http://www.yahoo.com
• Standard and Poors; http://www.standardandpoors.com
ASSIGNMENTS
Class Participation, Homework (8) and Quizzes (5)

- Preparing for and participating in class discussions and assignments allow students the opportunity to learn and/or enhance their knowledge of auditing concepts, practices, and processes related to external auditors and to display their critical thinking and presentation skills. All students are expected to conduct themselves as professionals: 1) promptly arrive for class; 2) be courteous and conscious of others when speaking and while others are speaking; and 3) be fully prepared for class. Preparing for class means you should read the chapter prior to class, complete all assignments, and actively engage in class discussions. Actively and consistently preparing for course topics and participating in class discussions are an integral part of this course; thus, **missing class or in-class work (excused or not) will contribute to students earning 0 points for these assignments.** [Emphasis added.]

Research Papers (6) and Projects (2)

- Researching various topics related to accounting and auditing allows students the opportunity to learn and/or enhance their understanding of them and to display their critical thinking, writing, and presentation skills.

Mid-term Exams (2) and Final Exam (in-class multiple choice and short answer questions)

- Exams allow students the opportunity to learn and/or enhance their knowledge of the concepts, practices, and processes related to auditing financial statements and to display their critical thinking and writing skills.
- Exams are closed books and **NO** notes, computers, mobile phones, etc. are allowed. A 10-key hand-held calculator is allowed.

**Each assignment is an integral part of this class; thus, students are required to submit ALL assignments for a grade. Electing NOT to do so automatically earns a student a “F” grade.** [Emphasis added.]

POINTS per ASSIGNMENT

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<tr>
<th>Assignment</th>
<th>Points</th>
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<tbody>
<tr>
<td>Class Participation</td>
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<tr>
<td>Homework</td>
<td>8</td>
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<tr>
<td>Quizzes</td>
<td>5</td>
</tr>
<tr>
<td>Research Papers</td>
<td>6</td>
</tr>
<tr>
<td>Projects</td>
<td>2</td>
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<tr>
<td>Mid-term Exams</td>
<td>40</td>
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<tr>
<td>Final Exam</td>
<td>30</td>
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<td><strong>TOTAL</strong></td>
<td><strong>100</strong></td>
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- Class participation is scored based on students constructively and actively participating in class discussions.
- Homework, quizzes and exams are scored based on the number of correct responses.
- Research papers and projects are scored based on the expectation that students submit work that is of upper-division undergraduate level quality, which means your assignments are:
  1. Easy to read - your thoughts are logical and have a direct relationship to the subject matter.
  2. Complete and concise sentences - your sentences are short but relevant and adequate to support your thoughts.
  3. Good summary of thoughts - your thoughts throughout each section of your paper is clear, complete and concise.

Furthermore, for all written assignments, please give appropriate recognition to sources of material which were quoted or substantially paraphrased. There are various resources available
for students to use for written assignments as well as advice to help you recognize and avoid plagiarism in your assignments. A few are as follows:

http://library.manoa.hawaii.edu/research/tools/writing.html
http://www2.hawaii.edu/~sford/esl/plagiarism/index.html

WRITING ASSIGNMENTS
All written assignments must be typed (12 pt font) on regular size paper, one and one-half or double spaced (i.e., no single-spaced), and printed (two-sided is acceptable) on regular size paper. Handwritten assignments are NOT acceptable. Also, all written assignments must be submitted at the beginning of class. Submissions through the Instructor’s in-box and/or electronically are NOT acceptable except with prior approval from the Instructor.

LATE ASSIGNMENTS
Any assignment submitted LATE (i.e., not submitted on its due date), without the Instructor’s prior approval (does NOT mean it will be granted), will have 50% deducted from its final score.

GRADES
Student achievement is designated by the following grades: A+, A, A- (excellent); B+, B, B- (above average); C+, C, (average); C-, D+, D, D- (minimal passing); and, F (failure). Grades are based on the total points earned. Grades are NOT based on a curve nor rounded up or down to the next grade level.

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<th>Points</th>
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<tr>
<td>A</td>
<td>80-89</td>
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<tr>
<td>A-</td>
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<td>70-79</td>
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<td>C+</td>
<td>50-59</td>
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<td>C-</td>
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<td>D+</td>
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<td>D</td>
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<tr>
<td>D-</td>
<td>0-0</td>
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</table>

REQUESTING A GRADE OF INCOMPLETE
As for a grade of “incomplete”, you must submit in writing the following: 1) a request (i.e., does NOT mean it will be granted); 2) justification for the request; and 3) date you expect to complete the course. This must be done on or before class on Thursday, April 28, 2016. If you elect not to fulfill this requirement then you will not be allowed to receive a grade of “incomplete” and will earn a grade based on the above. [Emphasis added.]

REGISTRATION AND WITHDRAWAL DATES
The last day to drop this class (without “W”) is January 19, 2016. The last day to register, add courses, change grading options, and receive 100% tuition refund is January 20, 2016. Should you have any questions about this matter and/or other dates related to withdrawing from this class please contact your Academic Advisor and/or the Office of Student Academic Service (“OSAS”).

DISABILITY STATEMENT
If you feel you need reasonable accommodations because of the impact of a disability, please: 1) contact the KOKUA Program (V/T) at 956-7511 or 956-7612 in Room 13 of the QLCSS; and/or 2) speak with me to discuss your specific needs. I will be happy to work with you and the KOKUA Program to meet your access needs related to your documented disability.

CLASS DISRUPTIONS
In case of significant disruptions before or during class, please meet in front of the Sinclair Library.

MANDATED DISCLAIMERS - SCHOOL OF ACCOUNTANCY and SHIDLER COLLEGE of BUSINESS
This syllabus is a general plan for the subject course. Changes may be necessary to enhance learning outcomes as the semester progresses; thus, please verify due dates for assignments with the Instructor.
<table>
<thead>
<tr>
<th>DATE</th>
<th>CLASS TOPICS &amp; REQUIRED ASSIGNMENTS</th>
<th>END of CHAPTER PROBLEMS</th>
</tr>
</thead>
</table>
| Jan 14 | Refresher/Review - Financial Statements  
Chapter 1 - Auditing: Integral to the Economy | 1-36, 43 & 53 |
| Jan 21 | Chapter 15 - Audit Reports on Financial Statements  
Homework #1 and Research Paper #1 | 15-45, 50 & 53  
Hmwk Ch #1 & #15 – M/C odd |
| Jan 28 | Chapter 2 - The Auditor's Responsibilities Regarding Fraud and Mechanisms to Address Fraud: Regulation and Corporate Governance  
Chapter 3 - Internal Control Over Financial Reporting: Responsibilities of Management and the External Auditors  
Homework #2 | 2-34 & 37  
3-57  
Hmwk Ch#2 & #3 – M/C even |
| Feb 4 | Chapter 4 - Professional Liability, auditor Judgment Frameworks, and Professional Responsibilities  
Quiz #1 and Research Paper #2 | 4-34, 35 & 38 |
| Feb 11 | Exam #1 | Take-home Exam #1; 2 pts/question: 1-55 a thru d only, 2-48, 3-60, 4-64 (for 4-64 explain why) & 15-61 |
| Feb 18 | Chapter 5 - Professional Auditing Standards and the Audit Opinion Formulation Process  
Homework #3 and Research Paper #3 | 5-67 & 76  
Hmwk Ch #5 – M/C odd |
| Feb 25 | Chapter 6 - A Framework for Audit Evidence  
Homework #4 and Quiz #2 | 6-48 & 50  
Hmwk Ch #6 – M/C even |
| Mar 3 | Chapter 7 - Planning the Audit: Identifying and Responding to the Risks of Material Misstatement  
Homework #5 and Research Paper #4 | 7-41 & 50  
Hmwk Ch #7 – M/C odd |
| Mar 10 | Chapter 8 - Specialized Audit Tools: Sampling and Generalized Audit Software  
Quiz #3 and Project #1 | 8-45 c & d only & 8-59 d only |
| Mar 17 | Exam #2 | Take-home Exam #2; 2 pts/question: 5-51, 6-49 & 7-49 |
| Mar 24 | Spring Break | Spring Break |
| Mar 31 | Chapter 9 - Auditing the Revenue Cycle  
Homework #6 | 9-44, 47 & 56  
Hmwk Ch #9 – M/C even |
| Apr 7 | Chapter 10 - Auditing Cash and Marketable Securities  
Homework #7 | 10-42,045,047,54 & 59  
Hmwk Ch #10 – M/C odd |
| Apr 14 | Chapter 11 - Auditing Inventory, Goods and Services, and Accounts Payable: The Acquisition and Payment Cycle  
Quiz #4 and Research Paper #5 | 11-35, 36 & 41 |
| Apr 21 | Chapter 12 - Auditing Long-Lived Assets: Acquisition, Use, Impairment, and Disposal  
Chapter 13 - Auditing Debt Obligations and Stockholders' Equity Transactions  
Homework #8 and Research Paper #6 | 12-48 &51  
13-47 & 61  
Hmwk Ch #12 & 13 – M/C even |
| Apr 28 | Chapter 14 - Activities Required in Completing a Quality Audit  
Chapter 17 – Other Services Provided by Audit Firms  
Quiz #5 and Project #2 | 14-63 & 87  
14 M/C questions  
17 M/C questions |
| May 4 | Study Period | Study Period |
| May 12 | FINAL EXAM | Take-home Exam #3; 2 pts/question: 9-51, 11-51, 12-52, 14-64 & 17-42 |
Research Papers – 1 pt each: 6 research papers (2 - 3 pgs plus 1 pg for listing of references)

Research Paper #1: Audit and Internal Control Reports, Notes to the Financial Statements, and Types of Auditors (requires at least three reference sources):

Deliverables:
1) Describe and discuss the purpose of an: 1) audit report; 2) internal control report; and 3) notes to the financial statements.
2) Select a U.S. publicly traded company that is not used in your text nor used for Projects 1 or 2. What type of audit AND internal control opinions did the company receive? Anything unusual in the reports?
3) Describe and discuss 2 – 3 differences between external auditors AND internal auditors.
4) Closure: describe and discuss what you learned from this assignment.
5) Please submit a copy of the: 1) audit report and 2) internal control report. (Note: They may be combined.) Do NOT submit the Form 10k and/or the company’s annual report.

Research Papers #2, #3, #5 and #6: Various Topics (requires at least three reference sources):

Topics:
Puerto Rico’s debt crisis – Going Concern
Volkswagen’s scandal regarding rigging of emissions test – Ethics
Hawaiian Electric Industries merger with NextEra Energy – Primary Beneficiaries
Raising the minimum wage to $15/hour – Business Risk

Deliverables:
1) Briefly describe the topic (2 to 4 sentences).
2) Discuss your thoughts in regard to: What advice would you give to the decision-makers?
3) Closure: describe and discuss what you learned from this assignment.


Deliverables:
1) Describe and discuss 3 – 4 non-financial data points that a multi-location restaurant with take-out and sit-down service (e.g., Zippy’s) should record, monitor and report as part of their monthly managers’ report.
2) Describe and discuss how each data-point can be used as audit evidence.
3) Closure: describe and discuss what you learned from this assignment.

Discussion
All students are required to discuss (1-2 minutes) their research papers. NO exceptions. Your discussion should cover the deliverables and points of interest learned from each assignment.

Projects – 3 pts each: 2 projects
For each project, please select a U.S. publicly traded company that you would like to study then obtain approval from the Instructor to use it. Also, obtain analyst reports and/or press releases (looking for current information) about the company, its competitors, and the industry it operates in.

Please note the following:
• You may not select a company that is used in the text nor used for your Research Paper #1.
• Choose a company that has been publicly traded for at least the last five (5) years and is still publicly traded today. This will ensure that you have sufficient information to complete this project.
• Select a company that concentrates on one type of product or service as opposed to a diversified company like General Electric that has multiple subsidiaries.
• Select a company that prepares their financial statements using U.S. GAAP. You should find this information in their independent audit report and/or Notes to the Financial Statements.
PROJECT #1: AUDIT PLAN and ANALYTICAL REVIEW
Objectives: 1) plan a financial audit; and 2) perform an analytical review.

Deliverable: Audit Planning Memorandum that includes a list of 5 to 6 “must know” about your company. The objective is to create a memorandum that is reliable, sufficient and complete for an audit team to use in preparing for the audit.

Format:
Executive Summary – briefly describe and discuss the purpose of an audit plan and your 5 to 6 “must knows” about your company. (3 to 4 pages)

Overview of Company – briefly describe and discuss the company and its business activities, including its mission and objectives/goals. (1 to 2 pages)

Analytical Review of Income Statement - perform an analytical review of your company's income statement then explain, in detail, 2 possible reasons for the change in each account. Also, for each reason, discuss how you would prove/verify that the reason for the change is reliable and relevant.

The following is an example of how to format your response:

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<tr>
<th></th>
<th>Yr 2</th>
<th>Yr 1</th>
<th>Incr/Decr</th>
<th>Incr/Decr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$120,000</td>
<td>$100,000</td>
<td>$20,000</td>
<td>20%</td>
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</table>

Reason #1: Sales increased because the XYZ Company opened 25 new stores in November. Based on … (describe a way in regard to how you would prove/verify that sales increased due to the opening of 25 new stores)…. provides a reasonable basis to conclude that the 25 new stores that opened in November contributed to the increase in sales. (1 paragraph)

Reason #2: Sales increased because prices were raised 15% for all product lines. Based on …(describe a way in regard to how you would prove/verify that sales increased due to a 15% price increase)…, provides a reasonable basis to conclude that the 15% increase in prices contributed to the increase in sales. (1 paragraph)
# PROJECT #2: AUDIT OBJECTIVES AND PROCEDURES

Objectives: Identify appropriate audit objectives and procedures for key balance sheet accounts.

Deliverable: Identify and list the largest:

- a. Current Asset (do not use “Cash”, “Cash and Cash Equivalents”, “Inventory”, or any account that is listed as both a Current and Non-Current Asset. For example, “Current Notes Receivable” and “Notes Receivable”);
- b. Non-Current Asset;
- c. Current Liability (do not use any account that is listed as both a Current and Non-Current Liability. For example, “Current Notes Payable” and “Notes Payable”); and
- d. Non-Current Liability.

1) For each of the 4 selected balance sheet accounts, list the 5 financial statement assertions (P.E.R.C.V);
2) Under each assertion, list at least 2 audit objectives that are designed to verify the reasonableness of each account;
3) For each audit objective, list at least 2 audit procedures that will generate sufficient, reliable and relevant evidence to allow the auditor to achieve his/her audit objective; and
4) Provide a brief but complete description of what you expect to achieve from each audit procedure.

The following is an example of how to format your response:

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<td>Title of Current Asset</td>
<td>Audit Obj #1</td>
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<tr>
<td>Title of Current Asset</td>
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University of Hawai‘i at Mānoa's 2015-2016 Catalog - Campus Policies
Student Conduct

It is a privilege to be a member of the UH Manoa community. This privilege provides the student with the opportunity to learn and participate in the many programs that are offered on campus. Along with that privilege, the individual is expected to be responsible in relationships with others and to respect the special interests of the institution. These special interests are fully set forth in the UH System’s Student Conduct Code.

Information, advice, or a copy of the code may be obtained from the Office of Judicial Affairs, Queen Lili‘uokalani Center for Student Services 207 or explore www.studentaffairs.manoa.hawaii.edu/policies/conduct_code/.

Academic Integrity

The integrity of a university depends upon academic honesty, which consists of independent learning and research. Academic dishonesty includes cheating and plagiarism. The following are examples of violations of the Student Conduct Code that may result in suspension or expulsion from UH Manoa.

Cheating

Cheating includes, but is not limited to, giving unauthorized help during an examination, obtaining unauthorized information about an examination before it is administered, using inappropriate sources of information during an examination, altering the record of any grade, altering an answer after an examination has been submitted, falsifying any official UH Manoa record, and misrepresenting the facts in order to obtain exemptions from course requirements.

Plagiarism

Plagiarism includes, but is not limited to, submitting, to satisfy an academic requirement, any document that has been copied in whole or in part from another individual's work without identifying that individual; neglecting to identify as a quotation a documented idea that has not been assimilated into the student's language and style; paraphrasing a passage so closely that the reader is misled as to the source; submitting the same written or oral material in more than one course without obtaining authorization from the instructors involved; and "dry-labbing," which includes obtaining and using experimental data and laboratory write-ups from other sections of the course or from previous terms, and fabricating data to fit the expected results.
**Disciplinary Action**

The faculty member must notify the student of the alleged academic misconduct and discuss the incident in question. The faculty member may take academic action against the student as the faculty member deems appropriate. These actions may be appealed through the *Academic Grievance Procedure*, available in the Office of Judicial Affairs. In instances in which the faculty member believes that additional action (i.e., disciplinary sanctions and a UH Manoa record) should be established, the case should be forwarded to the Office of Judicial Affairs.

**Academic Grievance**

A student who believes that a faculty member has failed to meet specific responsibilities outlined in "Responsibilities of Faculty and Students and Academic Grievance Procedures for Students, UH Manoa" may register a grievance. Students and faculty are encouraged to resolve their differences through consultation and mediation. Where these efforts are ineffective, the policy sets forth the process that is available to the student grievant. The decisions of the Academic Grievance Committee are final within UH Manoa. Information, advice, or a copy of the relevant policies and procedures may be obtained from the Office of Judicial Affairs, Queen Lili'uokalani Center for Student Services Center 207 or explore [www.studentaffairs.manoa.hawaii.edu/policies/academic_grievance/](http://www.studentaffairs.manoa.hawaii.edu/policies/academic_grievance/).