

School of Accountancy
Shidler College of Business
University of Hawaii at Manoa
ACC 418 Auditing
Spring 2025

Professor: Jian ZHOU, Ph.D.
Office: BusAd C-501F
Phone/e-mail: 956-7608 / jianzhou@hawaii.edu
Office hours: T 8:00 am - 9:00 am or by appointment
Class: Section 003: T/R 1200-0115pm George Hall 215
Required Text:

MyLab Accounting with Pearson eText (Inclusive Access) for Auditing and Assurance Services
ISBN: 9780138283339 Alvin A. Arens, Randal J. Elder, Mark S. Beasley, Chris E. Hogan (UH
Manoa Bookstore **IDAP**)

1. Course Objective

The objective of the auditing course is to help each student obtain the skill, knowledge, and personal characteristics necessary to practice successfully as an auditor. Because auditing is concerned with the use and evaluation of information, auditing skills are valuable for all accountants. Specific course objectives include:

- Understand the demand for auditing and assurance services.
- Understand and apply the ethical principles in the Code of Professional Conduct.
- Know the transaction- and balance-related audit objectives, their relationship, and application to audit cycles.
- Use and apply materiality criteria and the audit risk model to make audit planning and evidence evaluation decisions.
- Understand the Sarbanes–Oxley Act and PCAOB auditing standards and their effects on current audit practice.

2. Course Content

The primary objective of this course is to provide an in-depth understanding of audit and assurance services, with an emphasis on financial statement audit opinions by independent auditors. In the first part of the course, we examine the demand for audits and other types of assurance services offered by CPAs, and examine external factors that impact on the overall nature of the audit process. These factors include auditing standards, audit reporting requirements, professional ethics, legal liability, and regulation, including the requirements of the Sarbanes–Oxley Act and the PCAOB.

The remainder of the course will be devoted to improving our understanding of the underlying

concepts and the procedures utilized in performing and completing the audit process. Selected topics that will be covered in the latter part of the course include identifying audit objectives, assessing risk and materiality, evaluating evidence, performing analytical procedures, designing tests of transactions and tests of balances, and applying audit sampling techniques.

A large amount of material is covered in this class. By reading the Powerpoint slides and text material before class, you should be prepared to actively participate in class discussion. You should attempt to answer the multiple-choice questions on the course companion website prior to class. The solutions to all non-collected homework problems are available. Course material will be presented on Powerpoint slides. Copies of the slides can be downloaded from Laulima.

Each of you is expected to gain an understanding of the subject matter by (1) attending class (and being on time), (2) participating in class discussion and learning, (3) completing the assigned readings, (4) completing the assigned homework problems, and (5) participating fully in completing the group projects. You are encouraged to discuss any concerns you have regarding the conduct of the course with the instructor.

3. Course Routine

A portion of each class will be devoted to discussion and illustration of selected items from the Powerpoint slides, text and assigned homework. This format is designed to highlight difficult items and will not substitute for a careful reading of the text. All students are expected to have read the text material and completed the assigned problems prior to class. All students are encouraged and expected to ask questions or provide comments that add to class discussion. Cases will be a regular component of class discussion, and each member of the class is expected to be able to provide input to these case discussions.

4. Grade Determination

The points used in determining your grade are as follows:

| | Points |
|---------------------------------|------------|
| First Examination | 100 |
| Second Examination | 100 |
| Third Examination | <u>100</u> |
| Total examination points | <u>300</u> |
| Ethics skit | 9.5 |
| Article/Case Write-ups | 140 |
| Mini Teaching | 10 |
| Group Assignment - Presentation | 15 |

| | |
|----------------------------------|------------|
| Group Assignment - Paper | 85 |
| Homework (19 at 1.5 points each) | 28.5 |
| Participation | <u>12</u> |
| Total other points | <u>300</u> |
| Total points | <u>600</u> |

Please bring a **calculator** for every exam in case it is needed.

Group assignment - presentation: 30% grade from instructor, and 70% grade from other students in the class

Group assignment - paper: 100% grade from the instructor

Team member evaluation – Team members are going to evaluate each other except him/herself at the end of the semester to ensure that each member contributes to team work. All team work grade will be calculated as follows: team work grade before evaluation * team member’s evaluation percentage. The maximum grade each team member can give you is 20 points. If a student has three team members and the points s/he gets from team members is 20, 16, 18 and his/her Group Assignment – Paper gets 80 points, s/he is going to get $(20+16+18)/60*80 = 72$.

Grading Scale - The following is the grading scale:

| <u>Letter Grade</u> | <u>Minimum Points</u> |
|---------------------|-----------------------|
| A+ | 584 |
| A | 556 |
| A- | 538 |
| B+ | 520 |
| B | 502 |
| B- | 478 |
| C+ | 458 |
| C | 436 |
| C- | 412 |
| D | 372 |

Students must adequately complete all writing assignments to pass the course with a D grade or better. Students who do not complete all writing assignments will get a D- or an F and will not earn W Focus credit.

5. Examinations

There will be three exams given during the semester. Makeup exams will be provided only for students notifying the instructor prior to the exam with legitimate reasons such as

written medical excuses.

Examinations will be designed and graded to evaluate your understanding of auditing concepts *and* your ability to communicate the results of your analysis of the textbook, class projects, homework assignments, and class discussion.

6. Article/Case Write-ups

An article (case) related to this course will be distributed during the semester. Students are encouraged to find relevant info for this article (case). Each student is required to hand in a seven-page summary and analysis for this assignment, which is worth 70 points. Please use Times New Roman, double-spaced, 12 fonts.

An individual project relating to a contemporary auditing issue will be required during the semester. Each student is required to hand in a report on this issue. A write-up should be seven **FULL** pages (Times New Roman, double-spaced, 12 fonts). This is worth 70 points. Please follow APA standard for references.

It would be great to have a title page and abstract in addition to the seven pages of main text. Pictures such as data graphs are allowed. They can be put at the end of the paper and be referred in the main text.

7. Ethics Skit

Students are required to perform a skit on ethics as a group (group size can range from two to four people and the preferred size is four people). The skit can range between five to ten minutes. Although PowerPoint and/or other media may be used, the super majority of the skit needs to be performed live.

8. Group Activities

Students will form in groups (group size can range from two to four people and the preferred size is four people) to do the presentation/paper project. This should be the same group as for the auditing case. Presentations/papers must be on subjects relating to course topics. Possible topics include: audit partner identification; critical audit matters; the case histories of a particular audit failure; regulation of auditing profession; merger trends in auditing firms; or the effect of the PCAOB auditing standards on auditing. Topics should not focus on the same topics you are doing in other classes. Topics also must be up-to-date, more specifically, the disclosure of the main event should occur after January 1, 2023 (although the event can happen before January 1, 2023).

Groups will present the results of their research on their chosen topic to class. Presentations must use PowerPoint or slides created using PowerPoint. Each group will be responsible for

preparing a written paper around 18 pages (Times New Roman, double-spaced, 12 fonts, excluding exhibits and appendices). The paper must cite at least six references to newspapers, periodicals or websites. Please follow APA standard for references. The paper is due on Tuesday May 6, 2025. Written comments are provided for group projects.

9. Homework

Homework assignments will be graded on effort, neatness, and completeness. Homework should be legible, organized, and submitted on a separate sheet of paper (no torn-out sheets) if hard copies are handed-in. Because homework problems are designed to reinforce text material, it is permissible to discuss homework problems with other class members. However, all homework is expected to be original work.

Solutions for problems that will not be collected are available. Accordingly, these problems will not necessarily be covered in detail in class. It is important that you attempt these problems before looking at the solution, and ask about any solutions that you did not understand in class.

For online homework, please follow the due dates per publisher's website. Online homework needs to be 80% correct to get the credit. Late homework is **NOT** allowed for the **online** homework.

10. Mini Teaching

Students are required to do a mini teaching during the semester. The presenter may face questions from the instructor and other students in the classroom, so it is very important for the student to demonstrate his/her understanding of the slides, relevant concepts and issues.

11. Class Attendance and Participation

Class participation is an important element of the course. Class participation will be considered in determining the final grade for the semester. Attendance will be taken regularly. Excuses for attendance will be considered only if the excuse is communicated to the professor prior to the beginning of the class. Absences due to illness require a doctor's note for excusal. For absences related to other events, written documentation must be provided. Emails alone, without supporting documentation, are not sufficient.

Students are expected to conduct themselves in a professional manner. That is, students are expected to be on time, and are expected to respect the ideas and opinions of other students. Please note specifically that disruptive behavior, for example conducting side conversations in class, arriving late, and leaving early, will not be tolerated. The instructor reserves the right to reduce a student's course grade due to consistent behavior problem.

12. Academic Honesty

Students are expected to behave with integrity in all academic endeavors. Cheating, plagiarism, as well as any other form of academic dishonesty, will not be tolerated. All incidents will be handled in accordance with the UH *Student Code of Conduct*. The UH Student Code of Conduct, is available at: http://www.studentaffairs.manoa.hawaii.edu/policies/conduct_code/. Please become very familiar with the [University Student Conduct Code](#) so you can make conscientious and informed choices about your behavior. Some relevant portions of the code are included below for your convenience.

“Acts of dishonesty, types of behavior that conflict with the community standards that the UH values and expects of students, include but are not limited to the following:

- a. cheating, plagiarism, and other forms of academic dishonesty,
- b. furnishing false information to any UH official, faculty member, or office,
- c. forgery, alteration, or misuse of any UH document, record, or form of identification.

The term "cheating" includes, but is not limited to: (1) use of any unauthorized assistance in taking quizzes, tests, or examinations; (2) use of sources beyond those authorized by the instructor in writing papers, preparing reports, solving problems, or carrying out other assignments; (3) the acquisition, without permission, of tests or other academic material belonging to a member of the UH faculty, staff or student (4) engaging in any behavior specifically prohibited by a faculty member in the course syllabus or class discussion.

The term "plagiarism" includes, but is not limited to, the use, by paraphrase or direct quotation, of the published or unpublished work of another person without full and clear acknowledgement. It also includes the unacknowledged use of materials prepared by another person or agency engaged in the selling of term papers or other academic materials.” In addition to the above, the instructor specifically prohibits the following behaviors, and includes them within the definition of academic dishonesty: (1) providing another student with any form of direct or indirect, unauthorized assistance on any assignment, quiz, test or exam; and (2) copying, or recording in any manner, test or exam questions or answers.

Please NOTE:

UH disciplinary proceedings may be instituted against a student charged with conduct that potentially violates both the criminal law and this Student Conduct Code (that is, if both possible violations result from the same factual situation) without regard to the pendency of civil or criminal litigation in court or criminal arrest and prosecution.

If a student is caught committing an act of Academic Dishonesty, as defined in the [University Student Conduct Code](#), they will receive a grade of “F” for the course and be referred for disciplinary action as provided for by the [University Student Conduct Code](#).

13. Accommodation

If any student needs an accommodation for any type of disability, please schedule an appointment to see the instructor to discuss his/her needs.

Statement on Disability—KOKUA PROGRAM: The University of Hawai‘i at Mānoa is committed to a policy of non-discrimination and provides equal access to its programs, services, and activities to students with disabilities. If you have a disability and related access needs, please contact the KOKUA program (UH Disabled Student Services Office) at 956-7511, kokua@hawaii.edu, or go to Room 013 in the Queen Lili‘uokalani Center for Student Services.

14. Title IX

The University of Hawaii is committed to providing a learning, working and living environment that promotes personal integrity, civility, and mutual respect and is free of all forms of sex discrimination and gender-based violence, including sexual assault, sexual harassment, gender-based harassment, domestic violence, dating violence, and stalking. If you or someone you know is experiencing any of these, the University has staff and resources on your campus to support and assist you. Staff can also direct you to resources that are in the community.

Please refer to the link <http://www.manoa.hawaii.edu/titleix/resources.html#confidential> for more information and resources.

GRADING CRITERIA FOR PRESENTATIONS AND PAPERS:

PRESENTATION ASSESSMENTS ARE BASED ON:

- Presentation/communication style -- speak clearly? avoid reading notes?
- Preparedness – well-organized? well-rehearsed?
- Structure of presentation -- key points emphasized? right level of detail?
- Ability to teach class something new -- did the presenters know their material? did they convey it well to the class?
- Visual aids -- added to presentation? readable?
- Interesting topic? Did it capture the class's attention? Add to their knowledge of business or accounting?

EVALUATION OF WRITTEN PAPERS:

CONTENT:

- Reflects up to date research on topic
- Coverage is accurate and complete
- Material presented is relevant to topic
- Follows a logical order
- Conclusions and recommendations derived from evidence
- Paper develops a theme, point of view, and conclusion

FINISH:

- Spelling, punctuation and grammar correct
- Writing style easy and fluid
- References listed at back of paper

Mini Teaching

These are the slides for the mini teaching during the semester. Please choose one set of slides for your mini teaching assignment.

| | | |
|------------|----------------|----------------|
| Chapter 1 | slides 32 – 37 | |
| Chapter 2 | slides 29 – 34 | slides 35 - 40 |
| Chapter 3 | slides 44 – 49 | |
| Chapter 4 | slides 39 – 44 | |
| Chapter 5 | slides 37 – 42 | |
| Chapter 6 | slides 49 – 54 | |
| Chapter 7 | slides 42 – 47 | |
| Chapter 8 | slides 32 – 37 | |
| Chapter 9 | slides 33 – 38 | slides 39 - 44 |
| Chapter 10 | slides 37 – 42 | slides 43 - 48 |
| Chapter 11 | slides 30 – 35 | |
| Chapter 12 | slides 42 – 47 | |
| Chapter 13 | slides 41 – 46 | |
| Chapter 14 | slides 33 – 38 | |
| Chapter 15 | slides 39 – 44 | |
| Chapter 16 | slides 28 – 33 | |
| Chapter 17 | slides 35 – 40 | |
| Chapter 21 | slides 32 – 37 | |
| Chapter 24 | slides 47 – 52 | |

**Auditing
Spring 2025
Assignment Schedule**

(Tentative, subject to change for a better learning experience;
Please bring a calculator for every exam in case it is needed.)

| Day/Date | Session | Subject | Reading Assignment | Case Discussion or Project |
|------------|---------|---|--------------------|----------------------------|
| Tue Jan 14 | 1 | Introduction | | |
| Thu Jan 16 | 2 | The Demand for Audit and Other Assurance Services | Ch. 1 | |
| Tue Jan 21 | 3 | The CPA Profession | Ch. 2 | |
| Thu Jan 23 | 4 | Audit Reports | Ch. 3 | |
| Tue Jan 28 | 5 | Professional Ethics | Ch. 4 | Ethics skit |
| Thu Jan 30 | 6 | Professional Ethics | | |
| Tue Feb 4 | 7 | Legal Liability | Ch. 5 | |
| Thu Feb 6 | 8 | Audit Responsibilities and Objectives | Ch. 6 | |
| Tue Feb 11 | 9 | Audit Evidence | Ch. 7 | |
| Thu Feb 13 | 10 | Catch up and Review | | |
| Tue Feb 18 | 11 | FIRST EXAMINATION (Ch. 1-7) Online homework for Ch. 1-7 due. | | |
| Thu Feb 20 | 12 | Audit Planning and Materiality | Ch. 8 | Pinnacle I – 8-39 |
| Tue Feb 25 | 13 | Assessing the Risk of Material Misstatement | Ch. 9 | Pinnacle II – 9-40 |
| Thu Feb 27 | 14 | Assessing the Risk of Material Misstatement | | |
| Tue Mar 4 | 15 | Assessing and Responding to Fraud Risks | Ch. 10 | Pinnacle III – 10-35 |
| Thu Mar 6 | 16 | Internal Control and COSO Framework | Ch. 11 | |
| Tue Mar 11 | 17 | Internal Control and COSO Framework | | |
| Thu Mar 13 | 18 | Spring recess | | |
| Tue Mar 18 | | Spring recess | | |
| Thu Mar 20 | | Assessing Control Risk and Reporting | Ch. 12 | Pinnacle IV – 12-36 |
| Tue Mar 25 | 19 | Assessing Control Risk and Reporting | | |
| Thu Mar 27 | 20 | Overall Audit Strategy and Audit Program | Ch. 13 | |
| Tue Apr 1 | 21 | Audit of the Sales and Collection Cycle | Ch. 14 | Pinnacle V – 14-36 |
| Thu Apr 3 | 22 | SECOND EXAMINATION (Ch. 8-14) Online homework for Ch. 8-14 due. | | |
| Tue Apr 8 | 23 | Audit Sampling | Ch. 15 | Pinnacle VI – 15-38 |
| Thu Apr 10 | 24 | Audit Sampling | | |

| | | | | |
|------------|----|--|--------|----------------------|
| Tue Apr 15 | 25 | Completing the Tests in the Sales and Collection Cycle | Ch. 16 | Pinnacle VII – 16-38 |
| Thu Apr 17 | 26 | Audit Sampling for Tests of Details of Balances | Ch. 17 | |
| Tue Apr 22 | 27 | Audit of the Inventory and Warehousing Cycle | Ch. 21 | |
| Thu Apr 24 | 28 | Completing the Audit | Ch. 24 | |
| Tue Apr 29 | 29 | Group project presentation Group paper due. | | |
| Thu May 1 | 30 | Online homework for Ch. 15-17, 21, 24 due. | | |
| Tue May 6 | 31 | THIRD EXAMINATION (Ch. 15-17, 21, 24) | | |