

School of Accountancy
Shidler College of Business
University of Hawaii at Manoa
ACC 418 Auditing
Spring 2021

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Office hours: W 8:00 am - 9:00 am or by appointment
Class: Section 003: W 0600-0845p Online

Required Text:

Auditing and Assurance Services, Alvin A. Arens, Randal J. Elder, Mark S. Beasley, Chris E. Hogan, 17th Edition ©2020 (not the global edition) | Pearson ISBN 9780135987094 (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	15
Article/Case Write-ups	140
Mini Teaching	10
Headline News Presentation	5
Group Assignment - Presentation	15
Group Assignment - Paper	85

Homework (18 at 1 point each)	18
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: 20% grade from group members, 20% grade from instructor, and 60% grade from other students in the class

Group assignment - paper: 20% grade from group members, 80% grade from the written paper

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. Each exam will be curved if the mean/median grade (whichever is lower) falls below 76.

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: COVID 19 and auditing; 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 March 1, 2020 (although the event can happen before March 1, 2020).

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 Wednesday May 5, 2021. Written comments are provided for group projects.

9. Homework

Homework will be collected at the beginning of the class on the due date listed on the course outline. No late homework is accepted three days after the original due date. The late homework will be graded at the 3/4 of original if one day late and 2/4 of original if two days late. The late homework will be graded at the 1/4 of original if three days late. Late homework is **not** allowed for the online 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). 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 of five Powerpoint slides 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. Headline News Presentation

Students are required to present once during the semester about an accounting or auditing (preferably auditing) related news that appeared in various sources over the last couple of weeks. Sources of the news may include the New York Times, Wall Street Journal, Bloomberg Business Week, among other sources. Please upload the presentation file to Laulima.

12. 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 randomly. Excuses for attendance will be considered only if the excuse is communicated to the professor prior to the beginning of the class.

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.

13. 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 conscience 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](#).

14. 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.

15. 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 33 – 37	
Chapter 2	slides 31 – 35	slides 36 - 40
Chapter 3	slides 45 – 49	
Chapter 4	slides 40 – 44	
Chapter 5	slides 38 – 42	
Chapter 6	slides 50 – 54	
Chapter 7	slides 43 – 47	
Chapter 8	slides 33 – 37	
Chapter 9	slides 35 – 39	slides 40 - 44
Chapter 10	slides 39 – 43	slides 44 - 48
Chapter 11	slides 31 – 35	
Chapter 13	slides 42 – 46	
Chapter 14	slides 34 – 38	
Chapter 15	slides 40 – 44	
Chapter 16	slides 29 – 33	
Chapter 17	slides 36 – 40	
Chapter 21	slides 33 – 37	
Chapter 24	slides 48 – 52	

**Auditing
Spring 2021
Assignment Schedule**

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

<u>Day/Date</u>	<u>Session</u>	<u>Subject</u>	<u>Reading Assignment</u>	<u>Case Discussion or Project</u>
Wed Jan 13	1	Introduction		
		The Demand for Audit and Other Assurance Services	Ch. 1	
Wed Jan 20	2	The CPA Profession	Ch. 2	
		Audit Reports	Ch. 3	
Wed Jan 27	3	Professional Ethics	Ch. 4	
		Legal Liability	Ch. 5	
Wed Feb 3	4	Audit Responsibilities and Objectives	Ch. 6	
		Audit Evidence	Ch. 7	
Wed Feb 10	5	Catch up and Review		
Wed Feb 17	6	FIRST EXAMINATION (Ch. 1-7) Online homework for Ch. 1-7 due.		
Wed Feb 24	7	Audit Planning and Materiality	Ch. 8	Pinnacle I – 8-39
		Audit Planning and Materiality		
Wed Mar 3	8	Assessing the Risk of Material Misstatement	Ch. 9	Pinnacle II – 9-40
		Assessing the Risk of Material Misstatement		
Wed Mar 10	9	Assessing and Responding to Fraud Risks	Ch. 10	Pinnacle III – 10-35
		Internal Control and COSO Framework	Ch. 11	
Wed Mar 24	10	Overall Audit Strategy and Audit Program	Ch. 13	
		Audit of the Sales and Collection Cycle	Ch. 14	Pinnacle V – 14-37
Wed Mar 31	11	Audit of the Sales and Collection Cycle		
		Catch up and Review		
Wed Apr 7	12	SECOND EXAMINATION (Ch. 8-11, 13-14) Online homework for Ch. 8-11, 13-14 due.		
Wed Apr 14	13	Audit Sampling	Ch. 15	Pinnacle VI – 15-39
		Completing the Tests in the Sales and Collection Cycle	Ch. 16	Pinnacle VII – 16-39

Wed Apr 21	14	Audit Sampling for Tests of Details of Balances	Ch. 17	
Wed Apr 28	15	Audit of the Inventory and Warehousing Cycle	Ch. 21	
		Completing the Audit	Ch. 24	
Wed May 5	16	Group project presentation Online homework for Ch. 15-17, 21, 24 due. Group paper due.		
FINAL EXAMINATION (Ch. 15-17, 21, 24) Section 003: Wed May 12 0600-0830p Online				