

**The University of Illinois at Chicago
College of Business Administration
Department of Accounting**

Accounting 435 - Auditing

Fall Semester 2006 - 4 credit hours

Prerequisite: Accounting 316

Call # 10092 and 20042 meet on Monday & Wednesday from 12:00 PM to 1:50 PM

Call # 10076 and 10080 meet on Monday & Wednesday from 3:00 PM to 4:50 PM

Instructor: James Hansen

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Office Hours: M/W/Th 2:00-2:45 or by appointment

Course Catalog Description: Introduction to the audit function, ethical and legal environment, audit standards, objectives and procedures, materiality and audit risk, sampling, auditing in a computer environment, reporting. Accounting 316 is a prerequisite for this course.

Statement of Learning Objectives: The primary objective of this course is for you to develop an understanding of the purpose and methods of a financial statement audit by independent public accountants – an understanding, in other words, of the “attest function” of CPAs. Many of the concepts you will study are also relevant to other types of auditing and assurance services.

There are three secondary objectives. The first is for you to learn how to prepare working papers. This is important with respect to starting work as a staff auditor and, more generally, understanding the quality of documentation (of your work) expected in most business and professional work environments. Second, the course provides a framework that should help you prepare for the auditing part of the CPA exam. It is important to note, however, that we do not have time to cover all the topics that may appear on the CPA exam. Finally, I also hope that you will find the “professional skepticism” and the logic of the audit process you learn in this course helpful in your daily life.

Course Format: The course will be taught by lecture, discussion, and questions. You should come to class fully prepared to discuss each day’s assignment. I am always open to any question you may have regarding the reading assignments, quizzes, or homework problems. Students’ feedback indicates that the most effective way to study for this course is to read the material and attempt the problems before the material is presented in class. As with other accounting classes you cannot afford to fall behind.

Required Texts:

1. Arens, Elder & Beasley, Auditing: An Integrated Approach, 11th Edition, Prentice Hall

Course requirements and Grading criteria:

Exam 1	100 points
Exam 2	100 points
Exam 3	100 points
Homework	50 points
Quizzes	75 points
Participation	25 points
<u>Team projects</u>	<u>50 points</u>
Total	500 points

A = Good 90% of course points

B = Above Average 80% of course points

C = Average 70% of course points

D = Below Average 60% of course points

In = Incomplete assigned only under conditions specified in the University catalog.

Assignments (Homework and Team Projects): I do not accept late homework or assignments. Excused or un-excused absences will not affect the deadlines imposed for class assignments. If you expect to miss a class in which an assignment is due, you are expected to deliver the assignment early to my office or early via email.

Homework (50 Points): Homework problems from the text are assigned on most class days. Throughout the semester I will also give you homework handouts with descriptions of additional homework assignments. I encourage you to learn from each other by working together on homework (unless otherwise instructed), however, each of you should prepare your own write up the homework to be turned in. Throughout the semester, I will collect 12 or more neatly prepared homework assignments either on the day it is listed on the class schedule or according to date listed on the homework handout. I will be adding or taking away from homework listed on the course schedule, so stay alert of these changes. Homework will be graded on a 5 point scale. You will be able to drop your lowest two homework scores (or as many homework assignments above 10 that I assign). Again, I do not accept late homework.

Participation/Current Events (25 Points): I do not take attendance for the course; although participation points are awarded for the course (if you do not attend you cannot participate). Throughout the semester you will be assigned to bring in four current event articles (5 Points each for a total of 20 Points). These articles will be the basis for our current events class discussion for the day. Current event articles can not be made up if missed on the assigned day. I will assign 5 participation points at my discretion based on your overall participation for the course. We will have presenters throughout the semester. You each individually are required to ask the presenter a meaningful question. You will have 5 points deducted from your participation score if you fail to ask a meaningful question.

Quizzes (75 Points): Quizzes are intended to act as a pre-chapter quiz over material we are about to cover (have you read the material) and as post-chapter quiz for the material we have just gone over (are you internalizing the material). The pre-chapter questions will comprise true/false

questions. The post-chapter questions will be in a variety of forms including: fill-in-the-blank, multiple choice, or essay questions. Quizzes will be given in class announced or unannounced. Be ready for quizzes by reading the upcoming chapters (pre-chapter quiz) and reviewing the chapters, lecture notes, and homework (post-chapter quiz). Quizzes will be worth 5 points each and your top 15 quizzes will be used to compute your final grade.

Team Projects (50 Points): In order to enhance your audit experience, audit teams will be formed during the semester and will be responsible for two projects worth 25 points each. I reserve the right to add or take away a student from any team. For the first project, each team will be required to make a presentation on a SEC Accounting and Auditing Enforcement Release. For the second project, each team will be required to complete an audit of Sales for a fictitious company. The project deadlines, project descriptions, and the sales transactions file will be posted on Blackboard.

Exams (300 Points): Exams will be based on textbook, lectures, current event discussions, and homework assigned and make up 60% of your overall grade. All exams are cumulative, but the main focus will be on the chapters just covered in the course. Exams must be taken at the scheduled times, except in exceptional (in my judgment) and verifiable circumstances. If you do miss an exam and are properly excused, the weight of that exam will be placed on your other two exams. I do not give make up exams.

CBA Honor Code: This course and its associated course work are being administered under the policies of the University of Illinois at Chicago (UIC) College of Business Administration Honor Code. All students are expected to respect and uphold this code. **Honor Code Violations and Enforcement** Violations of the Honor Code are just causes for discipline under the University of Illinois at Chicago Student Disciplinary Procedure, and all allegations of Honor Code violations shall be handled pursuant to that Procedure.

Course Schedule: The course syllabus provides a general plan for the course; deviations may be necessary. It is your responsibility to stay apprised of changes in assignments, due dates, material to be covered, etc.

Date	Topic	Readings and Assignments
8/28	Introduction	
8/30	Chapter 2: The CPA profession	Read Chapters 1 and 2 RQ 1-1, 1-8,1-11, P 1-17, 1-18, 1-21, 1-22
9/4	No Class – Labor Day	
9/6	Overview of reporting	Read Chapter 3 RQ 2-1, 2-5, 2-10, 2-13 P 2 -18

9/11	Professional ethics	Read Chapter 4 RQ 3-2, 3-3, 3-4, 3-6, 3-11 P 3-28, 3-29, 3-33, 3-34
9/13	Legal liability	Read Chapter 5 RQ 4-2, 4-5, 4-7, 4-15 P 4-21, 4-23, 4-24, 4-26, 4-28
9/18	Audit responsibilities and objectives	Read Chapter 6 RQ 5-3, 5-5, 5-8, 5-14, 5-15 P 5-19, 5-21
9/20	Audit evidence	Read Chapter 7 RQ 6-2, 6-3, 6-4, 6-10, 6-11, 6-14 P 6-21, 6-25, 6-27, 6-29
9/25	Audit planning and analytical procedures	Read Chapter 8 RQ 7-2, 7-3, 7-4, 7-7, 7-9, 7-12 P 7-30, 7-31, 7-32, 7-36
9/27	Materiality and risk	Read Chapter 9 RQ 8-2, 8-3, 8-5, 8-6, 8-9, 8-12, 8-17 P 8-26, 8-27, 8-33, 8-37, 8- 39, 8-40
10/2	Materiality and risk	RQ 9-1, 9-3, 9-9, 9-11, 9-18 P 9-25, 9-31, 9-33 9-36
10/4 Reminder: Sep 30 is the last day to drop	Midterm #1	
10/9	Section 404 Audits of Internal control and control risk	Read Chapter 10
10/11	Fraud auditing	Read Chapter 11 RQ 10-7, 10-9, 10-11, 10-14, 10-18, 10-19, 10-22 P 10-34, 10-39, 10-40, 10-43

10/16	The impact of information technology on the audit process	Read Chapter 12 RQ 11-1, 11-4, 11-8, 11-9, 11-10 P 11-23, 11-28
10/18	Overall audit plan and audit program	Read Chapter 13 RQ 12-1, 12-2 12-3, 12-8, 12-12 P 12-21, 12-24, 12-28, 12-29
10/23	Audit of the sales and collection cycle: tests of controls and substantive tests of transactions	Read Chapter 14 RQ 13-1, 13-2, 13-4, 13-7, 13-9, 13-3, 13-15, 13-16 P13-26, 13-30, 13-32, 13-33, 13-38
10/25	Accounts receivable: tests of details of balances	Read Chapter 16 RQ 14-2, 14-3, 14-4, 14-6, 14-12, 14-13 P14-25, 14-31, 14-33
10/30	Audit sampling for tests of controls and substantive tests of transactions	Read Chapter 15 P 16-23, 16-26, 16-27, 16-35
11/1	Audit sampling for tests of detail of balances	Read Chapter 17 RQ 15-1, 15-3, 15-5, 15-6, 15-10, 15-14, 15-15, 15-18 P 15-28, 15-29, 15-33, 15-34
11/6	Audit sampling for tests of detail of balances	P 17-27, 17-28, 17-29, 17-32
11/8	Midterm #2	
11/13	Audit of the acquisition and payment cycle: tests of controls, substantive tests of transactions and accounts payable	Read Chapter 19
11/15	Completing the tests in the acquisition and payment cycle: verification of selected accounts	Read Chapter 20 P 19-22, 19-24, 19-30, 19-32

11/20	Audit of cash balances	Read Chapter 23 P 20-21, 20-23, 20-30
11/22	Completing the audit	Read Chapter 24 P 23-18, 23-21, 23-24
11/27	Overview of reporting	Review Chapter 3 P 24-25, 24-26, 24-27
11/29	Other Assurance Services	Read Chapter 25
12/4	Internal and governmental financial auditing and operational auditing	Read Chapter 26 P 25-21, 25-23, 25-28 P 26-23, 26-26, 26-27
12/6	Midterm #3	