

THE UNIVERSITY OF TEXAS AT AUSTIN

ACC 362, Auditing and Control

**Course Syllabus
Fall 2013**

Time and Location:

Tuesdays and Thursdays from 2:00-3:30 in GSB 2.126 (unique no. 02785)

Instructor

Mark Bradshaw, M.P.A., M.B.A., J.D.

Forensics Consultant to PwC

Audit Professor in Residence for KPMG (2007)

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Office hours: Tuesdays from 9:30 – 10:45 and by appointment

I prefer e-mail (not telephone) as a means of contact outside of class and office hours.

Teaching Assistant

Erin Barlow, 5th year Integrated M.P.A. student

E-mail: erinbarlow@utexas.edu

Erin will assist with the grading of cases and exams. After graded cases are returned throughout the semester, she will schedule office hours to discuss such assignments. *If you have grading or other questions concerning a case that has been returned, please make every effort to attend her scheduled office hours. All other questions and communications concerning course-related matters (including case and exam preparation and exam grading) should be directed to me.*

Internet Discussion Board and "Blackboard"

We will use the web-based University of Texas at Austin "Blackboard" software extensively, including the course Discussion Board. To access Blackboard, go to <http://courses.utexas.edu> or follow the links from University websites.

The Discussion Board benefits all of us. You can use it to post comments, links to articles of interest, questions and responses to others' posts. *If you have a question, comment or article of general interest (i.e., it is not a personal matter), please use the Discussion Board, not e-mail!*

I will also use Blackboard to post announcements, links and course materials for downloading. *Please check Blackboard frequently and before every class.*

Enhancing the Enjoyment of this Course

I prefer an informal classroom, as I have found such an environment to be more enjoyable and conducive to student attendance and participation. I hope you will let me know during class if you have a question, comment or response. *In this class, silence is not golden!*

Please assist me in maintaining a positive, productive learning environment by showing courtesy and respect for your fellow students (and me). To that end, *please make all reasonable efforts to be on time to class.* Entering the classroom after class begins is disruptive to me and those around you. Please also respond to your fellow students' remarks in a courteous and respectful manner, as you would in a professional setting.

The use of electronic devices in class is not permitted (except on ACL day). Accordingly, *please turn your iPhone/Android/other cell phone, tablet, laptop and other devices off before class begins.* PowerPoint slides for each course topic will be available under Course Documents on Blackboard before class. I recommend that you print out the slides (4 or 6 to a page) before each class and write your notes in the margins or space provided as we cover the material.

Finally, I hope you will give me feedback during the semester. You will have a formal opportunity to do so via the end-of-semester Course Instructor Survey, but I hope you will stop by and see me during the semester if there are things you especially like or do not like about the course.

Required Course Materials:

Course files. As noted above, I will provide PowerPoint and other files (including supplemental non-textbook readings and cases) that we will use in class discussion. These files will be available on Blackboard. *These materials do not substitute for class itself, so it is important to attend each class session.*

Auditing: a Business Risk Approach, 8th ed., by Rittenberg, Johnstone & Gramling (South-Western, Cengage Learning, 2012). New hardcover texts come bundled with a CD-Rom containing the educational version of ACL audit software. *You will need this software for a required course assignment later in the semester.*

Course Objectives

At the end of the semester, you will have a better understanding of the following:

1. The audit profession, including the importance of auditing and other assurance services to the global economy.
2. The crucial role of auditing in effective corporate governance.
3. Auditing principles and the current audit environment.
4. Auditor independence and ethical responsibilities.
5. Audit planning, including the risk-based approach to auditing, the audit risk model and materiality considerations.
6. Internal controls and the integrated audit.
7. The need to gather reliable, competent audit evidence using audit tests and procedures.
8. The sufficiency of audit evidence and use of sampling techniques in audits.
9. The framework for auditing a company's revenue and purchasing cycles.
10. Audit considerations for related entity transactions.
11. End-of-audit issues and procedures.
12. Using computerized audit software.
13. Fraud.
14. Effective interviewing techniques.

15. Types of audit reports and opinions.
16. Issues arising in past accounting and auditing scandals.

Grading

Course grades will be based on a 500-point scale, as described below:

	Points Possible
Midterm examination 1	75 (15%)
Midterm examination 2	100 (20%)
Final examination	125 (25%)
Cases (see listing for point allocation)	100 (20%)
End-of-semester group presentation	50 (10%)
Class participation and contribution	50 (10%)
Total possible points	500

I do not have any fixed point or percentage cut-offs in mind regarding letter grades. I will make these determinations at the end of the semester based on both relative and absolute performance considerations.

As students are naturally curious about grades and where they stand during the semester, I will endeavor to give the class a sense of what I view as A, B, etc. performance after the second midterm exam. *However, any mid-semester indications of exam and course performance are merely to assist you in evaluating your performance to date and achieving your goals in this course. They are not guarantees or suggestions that you will receive any particular final grade in this course.*

Examinations (two midterms worth 75 and 100 points; final exam worth 125 points)

Examinations will emphasize concepts and issues discussed in class, although any material from assigned readings is "fair game" for testing. Exams may contain objective (multiple choice and true-false) questions, short-answer and/or essay questions. I will provide additional exam-related information prior to each exam.

The first midterm examination will test material related to Chapters 1-3 of the text. The second midterm will cover material related to Chapters 4-7, 16 and 18 (materiality section only). The final examination will address the remainder of the material covered in the course. Of course, as certain material in this course builds on previous concepts, each examination will be "cumulative" in the broad sense of that term.

Cases (100 points)

To refine your writing skills and your ability to deal with more realistic and less structured problems in auditing, there will be three case exercises based on real-world examples that have been adapted for teaching purposes. There will also be a fourth case comprised of a set of "mini-cases" from the text that will give you familiarity with ACL computer audit software. ACL and similar software is used extensively in audit practice.

All cases except the ACL assignment will be graded for breadth and depth of analysis, quality of writing and professional impression. Some case questions will involve subjective issues for which there will be no "right answer" and multiple views can be defended. ***It is important to be both complete and concise in your case analyses.*** Do not repeat or summarize the case facts, except where needed to support a position. ***Your case analyses will be limited to three pages each (unless otherwise indicated) and must be double-spaced, use a font no smaller than 10 and have left and right margins of at least 1".*** The ACL cases will be graded for completeness, accuracy and professional documentation.

In the formative stage of a case assignment, you are welcome to discuss the case with other students ***currently in this class***, including on the Discussion Board. ***However, discussing a case with individuals not currently in my class (other than the UWC, as discussed below) or relying on or copying from another student's prepared solution is scholastic dishonesty, and will be penalized severely.*** See "Policy on Scholastic Dishonesty" later in this syllabus for clarification.

The assigned cases, their point allocations and due dates are listed below:

Case	Source	Topic	Due Date
1. MHA Textiles (15 points)	PwC Case Series (2005)	Dealing with client requests	Sept. 17
2. Waste Disposal, Inc. (25 points)	Adapted from a case by Ragothaman, et al. (American Accounting Association, 2003)	Evaluating risks in audit planning	Oct. 3
3. ACL Mini-Cases (30 points) <i>Text problems/cases:</i> • Pell Grant Case (ACL Appendix) • 10-78 (pp. 579-80) • 11-81 (pp. 655-6) • 8-51 (p. 434)	Text + ACL v. 9 (educational version)	Using computer audit software to analyze client records	Nov. 5
4. To be announced			Nov. 19

All cases will be due in class on the day indicated, unless otherwise instructed. Except for the ACL assignment (and time permitting), we will discuss cases in class, on or after the due date. Discussion of cases is an important part of the course, ***so please be prepared to discuss and defend your***

positions in class (see “Class Participation and Contribution,” below). You are also welcome to discuss and clarify case issues by posting to the Discussion Board.

Group Presentation - "Pick a Scandal" (50 points)

The capstone project at the end of the semester will involve groups of four to five students. Each group will choose an accounting / auditing scandal and investigate (1) the underlying accounting issue(s) or nature of any accounting fraud, (2) why the audit failed to uncover the problem(s) and what might have been done differently, and (3) the consequences for management and the auditors. Each group will present the results from its investigation in a 15-minute presentation. Further details on this assignment and a list of suggested scandals will be provided later in the semester.

Class Participation and Contribution (50 points)

Your active participation will make this course substantially more enjoyable (for you and me) and significantly enhance the clarity of points discussed in class. To give you an added incentive to attend and participate, a component of the course grade will be based on my largely subjective (but genuine) assessment of your cumulative participation and contribution in this class.

Elements of participation and contribution are:

- **Asking and answering questions and offering insights in class discussions!**
- Posting questions and insights to the Discussion Board.
- Answering others' posts on the Discussion Board.
- Showing interest in other groups' presentations at the end of the semester, or in the presentations of any guest speakers.
- **Attending class consistently.**

Some of you will participate more effectively in class, and others will participate more effectively on the Discussion Board. Both kinds of participation are helpful, although I weight classroom participation more heavily.

I do not "micromanage" participation or expect that you will contribute in every class. Your interest and comfort level and level of preparation will likely dictate your participation in a given class or on a given subject. Assessing participation at the conclusion of the course requires my subjective judgment, but you can trust me to do my best to form a fair assessment over the semester of your participation and contribution.

I will not take attendance each class, as my expectation (being that you are senior students in a top accounting program) is that you will attend class. However, I will take attendance from time to time during the semester. Days on which attendance is taken will generally not be announced in advance, except for group presentation days (when attendance will be taken). I will consider your attendance/absence(s) in evaluating your participation. I will also take into account any violations of course policies, such as the use of electronic devices in class.

Be Proactive!

As in any course, it is common for some students' early performance in the course to fall short of their goals or expectations. Unfortunately, it is also common for many such students to not seek input or assistance in a timely manner, leading to late-semester anxiety and diminished (or dashed) hopes for a particular grade.

If at any point you have a concern about your performance, please come by during office hours or make other arrangements to see me. I will be happy to provide suggestions on how you might improve your performance in the course.

Discussion Board

Along with other features of Blackboard, I strongly encourage you to take advantage of the Discussion Board for this course. Postings can relate to class discussions, case issues, exam-related questions, career matters or any other topics/issues that are relevant to this course. I monitor the Discussion Board on a regular basis, and will reward participation as noted above.

Ground rules for Discussion Board:

1. For questions or comments of general interest to the class (i.e., non-personal matters), please use the Discussion Board, not e-mail! I do not consider personal e-mails in evaluating participation.
2. ***Be professional and courteous.*** Discussion boards of this type are used throughout the business world. You do not need to be overly formal, but forums such as this offer a good opportunity to practice professional business communication. ***Please keep in mind that I will read your posts.***
3. Any topics of interest to students taking this course are welcome.
4. Do not be a free rider. If you benefit from reading others' postings, consider adding your own insights. Also, reply to inquiries from your fellow students.
5. Even if you have nothing to post, please get in the habit of accessing the Discussion Board before each class session. I will often use Blackboard to communicate important announcements and clarifications.
6. I will establish special forums for exams, cases and group project selections. ***To maximize the usefulness of your posting, please use the designated forums and post questions as early as possible prior to a case due or exam date.***

Blackboard downtimes and cases:

As with all computer systems, there are occasional scheduled downtimes and unanticipated interruptions of the Blackboard system. Notification of these disruptions will be posted on the Blackboard login page. Scheduled downtimes are **not** an excuse for turning in a case late or failing to complete other course requirements. However, if there is an unscheduled downtime for a significant period of time, I will make an adjustment if it occurs close to the due date. *As downtimes are often unpredictable, I advise you to print out case materials as soon as they are available.*

Homework

Each chapter in the text is followed by multiple choice (and other) problems that you can complete for practice. Please complete the multiple choice problems following each *full* chapter that we cover (we only cover parts of Chapters 8, 14 and 18). Solutions will be posted under Course Documents on Blackboard.

Homework is voluntary and will not be collected. Hence, homework does not technically count as part of your course grade. However, ***I will consider the suggested homework problems when I prepare each examination, i.e., certain exam questions will be similar or identical to homework problems.*** I expect that students who put diligent effort into the homework will do better on the examinations.

Policy on Missed Examinations and Assignments

In general, medical emergencies, family emergencies and university-sponsored conflicts are the only valid reasons for missing an examination or the due date of a case. In all such instances, I require some form of supporting documentation, such as a signed note from a physician, and I may ask that you register your situation with the Office of Student Emergency Services. At that point I will decide the best make-up alternative on a case-by-case basis, which could mean a make-up exam or recalculating the semester grade to omit the missed component, depending on the circumstances. Examinations or assignments that are missed for reasons other than emergencies or university-sponsored conflicts will generally receive no credit. In the case of a conflict due to a university-sponsored event, you must notify me as soon as you are aware of the conflict and *before* the examination date or assignment due date. ***Please note that interviews and office visits are not valid reasons for missing an examination or turning in a case late.***

Religious Holidays

Religious holy days sometime conflict with examination and assignment schedules. If you miss an examination or case due to the observance of a religious holy day, you will be given an opportunity to complete the work missed within a reasonable time **after** the absence. It is the policy of the University that *you must notify me at least fourteen (14) days prior to the exam or case scheduled on the date you will be absent* to observe a religious holiday.

Policy on Students with Disabilities

The University strives to accommodate qualified students with disabilities. Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>. If you are a qualified student with a disability, please see me to discuss any appropriate accommodations that have been recommended for this course.

University Electronic Mail Notification Policy

All students should become familiar with the University's official e-mail student notification policy. It is the student's responsibility to keep the University informed as to changes in his or her e-mail address. Students are expected to check e-mail on a frequent and regular basis in order to stay current with University-related communications, recognizing that certain communications may be time-critical. It is recommended that e-mail be checked daily, but at a minimum, twice per week. The complete text of this policy and instructions for updating your email address are available at: <http://www.utexas.edu/its/policies/emailnotify.html>.

Electronic Class Roster and Student Privacy

The University has requested that students be notified of their privacy rights in regard to electronic class rosters:

Password-protected class sites will be available for all accredited courses taught at the University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: <http://www.utexas.edu/student/registrar/catalogs/gi06-07/app/appc09.html>.

The Undergraduate Writing Center

I encourage you to use the Undergraduate Writing Center (UWC), FAC 211, 471-6222 (<http://uwc.fac.utexas.edu>) to assist you in writing your case analyses. The UWC offers free, individualized, expert help with writing, by appointment or on a drop-in basis. Any undergraduate can visit the UWC for assistance with any writing project. The UWC works with students on both academic and non-academic writing and its services are not just for writing with "problems." Getting feedback from an informed audience is a normal part of a successful writing project. Consultants help students develop strategies to improve their writing. Further, the assistance they provide is intended to foster independence - each student determines how to use the consultant's advice. The consultants are trained to help you work on your writing in ways that preserve the integrity of your work.

Policy on Scholastic Dishonesty and Working Together on Course Assignments

Policy of the McCombs School

The McCombs School has a Policy Statement on Scholastic Dishonesty. It is available via the McCombs website at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>.

The Department of Accounting has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty. **By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.**

Integrity is a public good from which we all benefit and a trait of successful businessmen and women. I intend to conduct this course in an environment of trust and cooperation. ***I can only achieve this, however, if you maintain absolute ethical integrity in this course. If in doubt, ask me!***

Personal Policy on Working Together (applies only to this course)

For this class, you may discuss issues related to assigned cases with other students *currently in this class*. You may work in the formative stages of an assignment in pairs or small groups if you wish to clarify case issues. ***However, it is not intended that students will jointly or collaboratively prepare case solutions and I expect the final product of each case or other assignment to reflect individual composition*** (with the exception of the “pick a scandal” presentations, to be completed in groups). ***You may not copy or paraphrase from others' solutions.*** Examples intended to clarify this policy follow.

Examples of acceptable collaborative efforts (applies only to this course):

- A student is confused about an ambiguous aspect of a case, and asks another student in one of my sections what s/he thinks.
- Students ask questions and share helpful insights in class or on the Discussion Board.

Examples of collaborative efforts that are unacceptable:

- Student A completes a case before student B. B asks A for or obtains A's solution. B bases his/her solution on A's solution, changing a few words here and there to make it look original. Both A and B are guilty of scholastic dishonesty.
- A student finds a source relevant to a case and copies extensively from it, without using quotation marks, indentation or other references to acknowledge the source. This example constitutes plagiarism, which is a clear case of scholastic dishonesty.

- A student completes an ACL case on the computer, and provides the USB drive containing the solution file to another student. This constitutes blatant copying, and is clearly scholastic dishonesty.
- *Any* collaboration, breach of security or other cheating on a course examination.

Campus Safety

Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety/> :

- Occupants of buildings on the University campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: www.utexas.edu/emergency.

Anticipated Course Schedule

Assigned chapters are from *Auditing: a Business Risk Approach*, 8th ed., by Rittenberg, Johnstone & Gramling (South-Western ,Cengage Learning, 2012). **Various other readings and course files will supplement this text and will be added from time to time.**

IMPORTANT: Please complete each day's assigned reading *before class*. The readings provide background that is necessary for understanding classroom discussion.

Date	Topic	Reading Assignment
Aug. 29 Th	Course introduction and overview; introduction to auditing	• Syllabus • Ch. 1
Sept. 3 T	Introduction to auditing, continued	
5 Th	The role of auditing in corporate governance	Ch. 2
10 T	The PCAOB and the current audit environment	• SOX summary • Review of PCAOB web site
12 Th	Auditor independence and ethical responsibilities	Ch. 3
17 T	Case 1 (MHA Textile) due today; independence and ethics, continued	
19 Th	Audit planning: risk and materiality	• Ch. 4 • Weil article
24 T	EXAM 1 (in class), covering Chs. 1-3 only	
26 Th	Risk and materiality, continued	Ch. 18 (pp. 958-67 only)
Oct. 1 T	Internal controls and the integrated audit	Chs. 5-6
3 Th	Internal controls and the integrated audit, continued; CASE 2 (Waste Disposal) due today	
8 T	The importance of reliable, competent audit evidence	Ch. 7
10 Th	Audit evidence, continued	
15 T	Audit reporting	Ch. 16
17 Th	Introduction to ACL	ACL Appendix, www.cengagebrain.com

	22 T	EXAM 2 (in class), covering Chs. 4-7, 16 and 18 only	
	24 Th	The importance of sufficient audit evidence and sampling techniques	Ch. 8 (pp. 378-97 and 415-19 only)
	29 T	Audit sampling, continued; revenue and inventory fraud schemes	SEC Complaint
	31 Th	Auditing the revenue cycle	Ch. 10
Nov.	5 T	Auditing the purchasing cycle; Case 3 (ACL) due today	•Ch. 11 • Wells article
	7 Th	Auditing related entity transactions	Ch. 14 (pp. 778-83 only)
	12 T	Special issues in completing the audit	Ch. 15
	14 Th	Special issues, continued; fraud	Ch. 9
	19 T	Fraud; interviewing techniques (video presentation); Case 4 (TBA) due today	
	21 Th	DAY 1 OF GROUP PRESENTATIONS	
	26 T	DAY 2 OF GROUP PRESENTATIONS	
	28 Th	<i>Thanksgiving Holiday – enjoy!</i>	
Dec.	3 T	DAY 3 OF GROUP PRESENTATIONS	
	5 Th	FINAL EXAM (in class)	