

THE UNIVERSITY OF TEXAS AT AUSTIN

ACC 358C/380K.4  
Introduction to Assurance Services

Course Syllabus  
Spring 2014

**Time and Location**

MW 12:30 – 2:00 p.m., UTC 1.144 (unique no. 02680/02780)

**Instructor**

Jeffrey L. Johanns, CPA  
Assurance Partner – PricewaterhouseCoopers LLP (PwC) 1995 – 2011  
PwC National Office Partner (2003 – 2011)  
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**Twitter:** @JohannsAudit – your source for auditing and accounting developing trends and “hot topics”

Office hours: MW 10:00 – 11:00 am and by appointment

**Teaching Assistant**

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**"Blackboard" and the Discussion Board**

We will use the web-based University of Texas at Austin "Blackboard" (Bb) software extensively, including its discussion board. To access Blackboard, go to <https://courses.utexas.edu/> or follow the links from other University websites.

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

I will also use Blackboard to post announcements and course materials. ***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 very much 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***. Also, please respond to your fellow students' remarks (in class and on Bb) in a courteous and respectful manner, as you would in a professional setting.

In my experience, use of electronic devices by students in class is disruptive and unnecessary. Accordingly, ***please turn your laptop, Blackberry, iPhone and other cell phones and devices off before class begins***. PowerPoint slides for each lecture 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, of course, 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 slides, supplemental non-textbook readings, cases and other files that we will use in the course. These files will be available on Blackboard. ***These materials do not substitute for class itself, so it is important to attend each class session.***

***Textbook - Auditing: a Risk –Based Approach to Conducting a Quality Audit, 9th ed.,*** by Johnstone, Gramling and Rittenberg (South-Western, Cengage Learning 2014, 2012).

ISBN 978-1-133-93915-3

**Note:** New texts come bundled with a CD-Rom containing the educational version of ACL audit software (Version 9). ***You will need this software for a required case later in the semester, so please keep it in a safe place.***

We will also make extensive use of materials included at the Center for Audit Quality (CAQ) website:

<http://www.thecaq.org/>

## **Course Objectives**

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

1. The importance of auditing and other assurance services to the global economy.
2. The crucial role of auditing in effective corporate governance.
3. The Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board and auditing standards applicable to public and private company audits.
4. Auditor independence and ethical responsibilities.
5. Professional liability considerations.
6. The risk-based approach to auditing and the many types of risk relevant to auditors, including fraud risk.
7. Internal controls and the integrated audit.
8. The need to gather sufficient, competent audit evidence.
9. The basics of audit sampling.
10. The basic framework for auditing a company's revenue and purchasing cycles.
11. Using computerized audit software.
12. End-of-audit issues and procedures.
13. Reporting audit findings.
14. Other services provided by auditors.
15. Issues arising in accounting and auditing scandals.

## Grading

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

	Points Possible
Examination 1, Monday, February 10	100 (20%)
Examination 2, Wednesday, March 5	100 (20%)
Final examination, TBD	125 (25%)
Cases (4)	100 (20%)
Group presentation	50 (10%)
Participation	25 (5%)
<b>Total possible points</b>	<b>500 (100%)</b>

*I do not have any fixed point or percentage cut-offs in mind regarding letter grades, nor do I have a fixed curve requiring that certain percentages of students will get A's, A-'s, B+'s, B's, etc. I will make grade determinations at the end of the semester based on both absolute and relative performance considerations.* Please note that the University has instituted a plus/minus grading system for undergraduate courses.

As students are naturally curious about where they stand during the semester, I will endeavor to give the class an interim assessment of performance after the two midterms have been completed. *However, any mid-semester indications of 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.*

Each graded component is described below:

### **Examinations (two midterms worth 100 points each; 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 will contain a mixture of objective (multiple choice), short-answer and essay questions. I will provide additional exam-related information approximately three class periods prior to each exam.

The second midterm examination will test material covered following the first midterm examination. The final examination will emphasize material covered after the second midterm. I will identify the material to be covered prior to the final exam. Of course, as the 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 analyze more realistic and less structured problems in auditing, there will be three graded case exercises based on real-world examples that have been adapted for teaching purposes. There will also be a set of graded "mini-cases" that will give you familiarity with ACL computer audit software, which is used in audit practice. Cases will be posted on Blackboard under "Assignments" at least ten days before their respective due dates.

All cases (except the ACL cases) will be graded for breadth and depth of analysis, quality of writing and professional impression. Certain questions will involve subjective issues for which there may be no "right answer" and multiple views can be defended. ***It is important to be both complete and concise in your case analyses and to justify your positions and conclusions.*** Do not repeat or summarize the case facts, except as needed to support a position. The ACL cases will be graded for completeness, accuracy and professional documentation. **Cases must be submitted through the "Assignments" section on Blackboard.**

In the formative stage of a case assignment, you are welcome to discuss the case with fellow students in the class (but *not* with persons not in the class). ***However, 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. *My intention is not that students will jointly prepare cases, but rather have the ability to clarify case issues before preparing their solutions independently.*

The assigned cases, their tentative point allocations and due dates are listed on the next page.

### Cases, continued

Case	Source	Topics	Due Date
I. (25 points)	Blackboard	Professional skepticism and independence; personal and professional choices; internal controls relating to fraud	Wed., Feb. 5
II. (25 points)	Blackboard	Failure to comply with auditing and due professional care standards; inadequate skepticism; insufficient appropriate audit evidence	Wed., Feb. 26
III. (25 points)	Text + ACL Husky case 9-87 - A/R; 11-85 - Inventory	Using computer audit software to analyze client records	Mon., April 7
IV. (25 points)	Blackboard	Going concern opinion; non-GAAP measures	Wed., April 23

We will discuss cases I, II and IV in class. Discussion of cases is an important part of the course, *so please be prepared to discuss and defend your positions in class* (see "Participation and Attendance," below).

As noted above, the quality of your writing and professionalism will be components of your (non-ACL) case grades.

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

The capstone project at the end of the semester will be a group project. 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 and what might have been done differently, and (3) the consequences for management and the auditors. Groups will present the results from these investigations in presentations at the end of the semester (see "Course Schedule," below). Further details on this project and a list of suggested scandals will be provided later in the semester.

## **Participation and Attendance (25 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. Moreover, the ability to provide meaningful input in a professional setting is a critical element of career success. Thus, to give you an incentive to attend and participate, 25 points will be based on your cumulative participation in this class.

To earn points for participation:

- Ask and answer questions and offer insights in class.
- Post questions and insights to the class discussion board.
- Answer others' posts on the discussion board.
- Show interest in other groups' presentations at the end of the semester by asking questions.
- Help promote an enjoyable and productive classroom and course.

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. To earn all of the participation points available, meaningful classroom participation is necessary. ***In reviewing student performance from past semesters, I have observed a strong positive correlation between students' final grades and their participation scores.***

I do not "micromanage" participation or expect that you will contribute in every class. Your levels of interest and preparation will frequently dictate your participation in a given class. 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 to the course.

I expect that you will attend class regularly. Although I will not take attendance each class, I will have a sense of those students who are and are not regularly attending class. Repeated absences may result in a reduction of your Participation score. ***In addition, I may take attendance from time to time, which may or may not be announced in advance.*** Attendance will be required for all group presentations. Attendance on days when attendance is taken will also be considered in determining Participation scores.

***If you have a concern about this (or any other) aspect of your grade, 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 matters, current events, careers 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, please use the discussion board, not e-mail!* Although I may respond to a personal e-mail regarding a matter of general interest to the class, I do not consider e-mails in determining participation grades. More importantly, your classmates will not receive the benefit of your questions and insights or any responses thereto.
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.
3. Do not be a free rider. If you benefit from reading other's postings, consider adding your own insights. Also reply to inquiries from your fellow students. Student replies are usually very helpful and often are posted before I have a chance to respond (particularly if they are made late in the evening).
4. *Even if you have nothing to post, please get in the habit of accessing the discussion board regularly. I will often use Blackboard to communicate important announcements and clarifications.*
5. I may establish special forums within the discussion board for exams and cases. To maximize the usefulness of your posting, please use the most appropriate forum. For example, if you have a question concerning a suggested homework problem in the days leading up to an exam, post that question in the forum for that exam.

### **Blackboard downtimes and course requirements:**

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 timely 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 cases and instructions as soon as they are available.*

## Homework

Each chapter in the text is followed by true/false and multiple choice and other problems that you can complete for practice. Some of these problems reinforce concepts discussed in class, others address matters not discussed in class. As homework, I suggest that you complete the true/false and multiple choice problems at the end of each *full* chapter we cover. Solutions will be posted under “Course Documents.” We will discuss some of these questions in class so you should be prepared to answer these questions if called upon to do so.

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 assigned multiple choice problems when I prepare each examination, i.e., some exam questions may be very 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. 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. 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. *An interview or office visit is not a valid reason to miss an examination or an assignment due date.*

## Important Notifications

### **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/>.

### **Religious Holy Days**

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

### **Policy on Scholastic Dishonesty**

The McCombs School of Business 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 BBA Program’s Statement on Scholastic Dishonesty at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. 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.

### **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 of Texas at Austin 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 the 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
  -
- urther information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>.

### **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>.

## Policy on Working Together on Course Assignments (applies only to this course)

*For this class*, you may discuss issues related to assigned homework with other students in this class. You may work with others in the formative stages of an assignment to clarify issues and exchange ideas. However, I expect the final product of each collected assignment to reflect individual composition ***You may not copy or paraphrase from others' solutions.*** Examples intended to clarify this policy follow. ***When in doubt, ask me!***

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

- A student is confused about an ambiguous aspect of an assignment, and asks another student what s/he thinks.
- Students ask questions and share helpful insights in class or on a discussion board.

### Examples of collaborative efforts that are unacceptable:

- Student A completes the homework before student B. B asks A for 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.
- *Any* collaboration, breach of security or other cheating on a course examination.

### Anticipated Course Schedule – subject to change

Assigned chapters are from *Auditing: a Risk –Based Approach to Conducting a Quality Audit, 9th* ed., by Johnstone, Gramling and Rittenberg (South-Western, Cengage Learning 2014, 2012). Other documents will supplement this text **and may be added from time to time**.

**IMPORTANT:** Please complete each day's assigned reading *before class*. Also, refer to the *“Homework” section of this syllabus*.

The readings provide background that is necessary for understanding classroom discussion and answering Homework questions in class.

<b>DAY</b>	<b>TOPIC</b>	<b>ASSIGNMENT</b>
January 13 Monday (M)	Course Introduction/Auditing: Integral to the Economy	Syllabus/ Chapter 1
January 15 Wednesday (W)	Course Introduction/Auditing: Integral to the Economy	Chapter 1/CAQ In-depth guide to public co. auditing; pp. 1-6
January 20 M	No Class	
January 22 W	Risk of Fraud	Chapter 2/CAQ Detering and detecting Fraud – Exec. Summary and prologue
January 27 M	Internal Control Over Financial Reporting	Chapter 3/CAQ Guide to ICFR
January 29 W	Professional Liability/Auditor Judgments/Ethical Decisions	Chapter 4
February 3 M	Professional Auditing Standards/Audit Opinion Formulation Process	Chapter 5
February 5 W	Professional Auditing Standards/Audit Opinion Formulation Process	Chapter 5; <b>Case I due</b>
February 10 M	<b>Exam 1 in class</b>	
February 12 W	Audit Evidence	Chapter 6/CAQ In-depth guide to public co. auditing; pp 11-15
February 17 M	Audit Evidence	Chapter 6/Chapter 9, pp 393 - 400
February 19 W	Planning the Audit	Chapter 7/CAQ In-depth guide to public co. auditing; pp 7-10
February 24 M	Planning the Audit	Chapter 7
February 26 W	Sampling/Generalized Audit Software	Chapter 8; <b>Case II due</b>
March 3 M	Sampling/Generalized Audit Software	Chapter 8
March 5 W	<b>Exam 2 in class</b>	

March 10 M	<b>No Class</b>	
March 12 W	<b>No Class</b>	
March 17 M	Auditing the Revenue Cycle	Chapter 9
March 19 W	Auditing the Revenue Cycle	Chapter 9
March 24 M	Auditing the Acquisition and Payment Cycle	Chapter 11
March 26 W	Completing a Quality Audit	Chapter 14
March 31 M	Completing a Quality Audit	Chapter 14
April 2 W	Audit Reports	Chapter 15/CAQ In-depth guide to public co. auditing; pp 16-18
April 7 M	Audit Reports	Chapter 15; <b>Case III due</b>
April 9 W	Complex Audit Judgments	Chapter 16
April 14 M	Other Services	Chapter 17
April 16 W	Group Presentations (Day 1)	
April 21 M	Group Presentations (Day 2)	
April 23 W	Group Presentations (Day 3)	<b>Case IV due</b>
April 28 M	Group Presentations (Day 4) – If needed	
April 30 W	Catch-up Day	
<b>TBD</b>	<b>Final Exam</b>	

