UNIVERSITY OF TEXAS AT AUSTIN
ACC 358C / ACC 380K.4, Auditing and Assurance Services
Course Syllabus for Hallman Sections
Spring 2017

Time and Location:
MW 2:00 - 3:30, UTC 1.104 (unique 02585 for ACC 358C or 02725 for ACC 380K.4)
MW 3:30 - 5:00, UTC 1.104 (unique 02595 for ACC 358C or 02710 for ACC 380K.4)
Note: Due to seating constraints, please attend the section in which you are enrolled. If
special circumstances prevent you from attending your section on a particular day, please
notify me beforehand and I may allow you to attend the other section if seating permits.

Instructor
Nicholas Hallman, Ph.D.
Office: CBA 4M.250; Ph.: 471-3517; E-mail: Nicholas.Hallman@mccombs.utexas.edu
Office hours: Tuesday 1:30 – 4:30, or as announced, and by appointment.

Teaching Assistants
Austin Kaiser (unique 02585 and 02725)
Email: AKaiser816@utexas.edu
Office: CBA 4.304A
Office hours: Thursday 1:00 – 3:00; Friday 11:00 – 12:00

Ryan Ballestero (unique 02595 and 02710)
Email: Ryan.Ballestero@mccombs.utexas.edu
Office: CBA 1.310B
Office hours: Wednesdays 8:00 – 11:00

Note: Although Austin and Ryan do have official course assignments, you should feel free to
visit either TA’s office hours for help. You should also feel welcome to come to my office
hours our use the online discussion board (see below).

Canvas
In addition to posting announcements and documents on Canvas (http://canvas.utexas.edu), I
use the Canvas discussion board feature extensively to provide you with virtual office hours
at any time. So that you do not miss anything important, please get in the habit of checking
the course Canvas site before every class.

The discussion board benefits you and me. You can use it to post questions, comments, and
responses to others’ posts. In turn, I will use it to offer clarifications to the entire class, not
just the person who asked the question. If you have a question of general interest, please
use the discussion board, not email. That way everyone can benefit.
Required Course Materials:

*Course files*. I will not distribute paper copies of course materials. I will upload to Canvas the PowerPoint files and other materials that we will use in class discussion.


**Note:** A CD-Rom for the educational version of ACL Analytics, Version 9 should be available in the inside back cover of the text. *You will need this software for a required course assignment later in the semester.*

Course Objectives
At the end of the semester, you should have a better and deeper understanding of the following:

- The role of auditing in a market economy.
- U.S. and international regulation of auditing.
- Auditor independence and ethical responsibilities.
- Dealing with the potential for fraud.
- Internal controls and the integrated audit.
- Risk assessment.
- Basics of audit sampling.
- Audit reporting and changes on the horizon.
- Using computerized audit software.
- Evaluating and correcting errors.
- Entity-wide audit considerations (e.g., going concern, subsequent events, related parties).
- Fundamental issues arising in recent accounting and auditing scandals.

A few miscellaneous notes:
- This course is not just another requirement to graduate. Rather, given that the vast majority of you will either become auditors or will deal with auditors, the primary objective of this course is to help you to succeed *after* graduation.

- Your primary objective for this course should be to learn, not to get a good grade. But I know you probably don’t agree with me. With this in mind, I will do my best to make sure that the distributions of learning and grades are as congruent (and transparent) as possible. However, like most evaluation systems, grading is noisy.

- I hated attendance policies when I was a student, and I do not enforce them now. With that said, impromptu in-class discussions are an important part of the course. The content of all such discussions are “fair game” for exams. If you believe that you can achieve the grade you desire without attending class, you are welcome to try. But you probably can’t.
Grading
Course grades will be based on a 500-point scale, as follows:

<table>
<thead>
<tr>
<th>Points Possible</th>
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<tbody>
<tr>
<td>In-class examination 1, Wednesday, February 24, 2016</td>
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<tr>
<td>In-class examination 2, Wednesday, March 30, 2016</td>
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<tr>
<td>Final examination, Saturday, May 14, 2016 (officially scheduled date/time)</td>
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<tr>
<td>Cases</td>
</tr>
<tr>
<td>End-of-semester group presentation</td>
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<tr>
<td>Total points before extra credit (see details below)</td>
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</table>

In awarding final grades, I start by considering the traditional 90%=A, 80%=B, 70%=C cutoffs based on the 500 nominal points listed above. I sometimes award grades that are more generous than these cutoffs, depending upon the end-of-semester point distribution, to reflect the following interpretations:

“A” or “A-” = Exceptional performance, exceeding my expectations. An “A” in this course is a sign of distinguishing oneself with particularly strong performance.

“B+” or “B” = Fine performance, meeting my expectations. The ability to distinguish outstanding from very good performance is undermined if everyone gets an “A,” so I anticipate that a “B” will be the grade most frequently assigned.

“B-,” “C+,” or “C” = Performance that falls short of expectations. These grades should be infrequent, but that being said, there is no such thing as an “automatic B” in the MPA program. If you do not put in the effort necessary to attain a reasonable degree of proficiency in attaining the course objectives, I cannot award you a “B.”

“C-,” “D,” or “F” = Performance that falls far short of expectations, usually reflecting lack of sufficient effort. A failing grade can also result from severe cases of scholastic dishonesty.

Plus/Minus Grading
I award +/- grades in an approximately “GPA neutral” manner. What this means is that I award plus or minus grades for borderline cases at each grade cutoff (primarily the A/B cutoff), but I strive to do so in a way that does not significantly alter the grade-point average for the class as a whole. Thus, the number of students who get an A- instead of an A will be approximately equal to the number of students who get a B+ instead of a B.
Examinations (two midterms worth 100 points each; final exam worth 125 points)
Examinations will emphasize issues and concepts discussed in class, although material from the textbook (particularly as it relates to the assigned homework) and other assigned readings is also “fair game.” Exams will involve a mixture of objective and written-answer formats.

The two midterm examinations emphasize the material covered since the previous examination. The final examination is cumulative, emphasizing material covered after the second midterm along with reinforcing key concepts from earlier in the semester, as reflected on the midterm exams.

Cases and Research Exercises (85 points)
To refine written communication skills as well as judgment skills in dealing with a more realistic and less structured variety of auditing problems than can be found in a textbook, we will cover a few case exercises based on current policy issues and real-world applications.

All cases will be graded for depth of analysis, originality, quality of writing (if applicable), and professional impression. Most of these cases involve subjective issues for which multiple views can be defended. As in an accounting career, it is important to be both complete and concise.

I value the interchange of ideas. Thus, in the formative stage of a case assignment, you are welcome to discuss an assigned case on the course discussion board that is available on Canvas. That being said, I also value individual accountability. Copying from another student’s prepared solution is scholastic dishonesty, and will be dealt with accordingly. See the “Policy on Scholastic Dishonesty” later in this syllabus for clarification.

Discussing cases is an important part of the course, so be prepared to discuss and defend your case responses in class. You are also welcome to discuss and clarify case issues by posting to the discussion board on Canvas.

The materials required to complete each case will be posted to Canvas on the due date of the previous case. The materials required to complete the first case are already on Canvas.

University Writing Center
If you experience difficulty with written assignments, consider scheduling a free appointment with a writing consultant at the UT-Austin University Writing Center (UWC). The UWC is one of the best student resources available, employing consultants who will work with you to improve your written assignments in ways that preserve the integrity of your work. For further details, see http://uwc.utexas.edu.
Group Presentation – “Pick a Scandal” (90 points)
The capstone project at the end of the semester will involve groups of four students. Each group will investigate a major accounting / auditing scandal (generally from 2000 to date) to identify (1) the underlying financial reporting issue(s), (2) what the auditors should have done differently, and (3) the consequences to management and to the auditors.

Groups will present the results from these investigations in 20-minute presentations at the end of the semester (see course schedule later in this syllabus). Group member assignments and presentation dates and times will be determined randomly. Each group must also submit the PowerPoint or similar file used to facilitate their presentation, along with a list of references.

Later in the semester, I will provide further details on this assignment and a list of suggested scandals.

Content from these presentations is “fair game” in the final exam, so I advise you to avoid missing class when your classmates are presenting.

Extra Credit for Participation and Effort
To reward your attentiveness and participation, I reserve the right to award extra credit points based on my subjective (but honest) assessment of your performance in the following areas:

- **In class participation:** During the semester, I will hand out extra credit “tokens” for particularly insightful questions or thoughtful responses. Tokens are worth one point of extra credit each. **Up to 5 tokens can be turned in with any assignment or exam.**

- **Online discussion boards:** **Up to 10 extra credit points** will be awarded for productive use of the online discussion board, as evidenced by posts and especially by constructive replies to others’ posts. I do not merely count the number of posts. Rather, I try to evaluate the quality of posts in contributing to the class experience.

Discussion board
Along with the other tools available on our course “Canvas” site, I encourage you to take advantage of the online discussion board for this course. Posts can relate to class discussions, case issues, exam-related questions, or any other topics/issues that are relevant to students in this course, including recruiting and career issues. I monitor the discussion board on a regular basis, and I take this activity into account when considering possible extra credit points (see above). 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.

You can think of the discussion board as continuous “office hours.” Thanks to this technology, you can ask a question or volunteer an insight at any time you wish.
Ground rules for discussion board:

1. For questions or comments of general interest to the class, please use the discussion board, not email!

2. Be professional and courteous. Discussion boards of this type are used extensively in business and in public accounting firms. You do not need to be overly formal, but forums such as this offer a good opportunity to practice professional business communication.

3. Any topics of interest to students taking this course are welcome.

4. Do not be a free rider! If you benefit from reading other’s posts, consider adding your own insights. Also be brave and reply to inquiries from your fellow students. I will correct and clarify any misinformation in a tactful manner, without embarrassing you.

5. Even if you have nothing to post, get in the habit of accessing the discussion board before each class session. I will use Canvas to communicate important announcements and clarifications.

Homework
Each chapter in the text is followed by several true-false, multiple choice, and other homework problems that you can complete for practice. The last page of this syllabus lists the assigned homework problems for each chapter.

Homework will not be collected. Hence, homework does not directly count as part of your course grade. However, completing the homework will indirectly benefit you, as I take the assigned homework into account when writing examinations. Thus, students who put diligent effort into the homework will be rewarded with higher exam scores. Homework solutions will be available so that you can check your work.

Policy on Notifications via Email and via Canvas
I will frequently post important announcements on our course Canvas site, so it is critical for you to monitor this resource before every class.

In addition, when necessary, I will contact you by email, consistent with the UT-Austin policy on email as an authorized vehicle for official University communication. I may use your McCombs School of Business email address on the School’s “Address Book,” or I may use the email address registered on our course Canvas site, so if these accounts are different, please monitor both addresses. For more information on the UT-Austin email policy, please see:

Student Safety and the Behavior Concerns Advice Line (BCAL)
Nothing is more important than safety. Please see http://www.utexas.edu/safety to familiarize yourself with campus safety initiatives. Also see http://emergency.utexas.edu for emergency notifications. Regarding behavioral issues, if you have concerns or are worried about someone
who is acting differently, consider using the UT-Austin Behavior Concerns Advice Line to discuss your concerns. This service is provided through a partnership among the Office of the Dean of Students, the Counseling and Mental Health Center, the Employee Assistance Program, and The University of Texas Police Department (UTPD). Call 512-232-5050 or visit http://www.utexas.edu/safety/bcal. Of course, you are also welcome to discuss any concerns with me, and I will take appropriate action as determined on a case-by-case basis.

**Policy on Missed Examinations and Assignments**
My general policy is that medical emergencies, family emergencies, religious holidays, and university-sponsored conflicts are the only valid reasons for missing an examination or the due date of an assignment. For each such case, I require some form of supporting documentation, such as a signed note from a physician. At that point I will determine 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 circumstances. Examinations or assignments that are missed for other reasons will generally not be accepted. 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.

**Religious Holidays:** Consistent with the UT-Austin policy on Observation of Religious Holidays, I will work with students on a case-by-case basis to find a suitable make-up alternative in the event that a religious holiday conflicts with a scheduled examination or assignment due date. By policy, students must provide at least 14 days of advance notice.

**Policy on Students with Disabilities**
I do my best to accommodate students with disabilities. For more information, contact the UT-Austin Office of Services for Students with Disabilities (SSD) at 471-6259, or go to http://ddce.utexas.edu/disability/current-students/. If you have an SSD-registered accommodation letter, please see me with your letter to discuss the accommodations you need for this course. For SSD accommodations requiring additional examination time, students must provide a suggested block for the time authorized in the SSD letter between the scheduled business hours for the McCombs Testing Center of 8:30 a.m. to 4:30 p.m. on the date of the exam, or, if necessary, the day after the exam. Students must make SSD-related requests well in advance in order to ensure that accommodations can be made. Please note that the McCombs Testing Center can fill up during peak examination periods, so reservations at the requested date/time may not be possible without sufficient notice.

**Policy on Scholastic Dishonesty and Working Together on Course Assignments**
The Master in Professional Accounting Program has adopted a Code of Conduct, a Career Services Code of Ethics, and a Policy Statement on Scholastic Dishonesty. It is important for you to be familiar with all three documents, which are available on the web at the following link:

https://my.mccombs.utexas.edu/MPA/Student-Codes-of-Ethics

The following statement applies to each class in the UT-Austin Department of Accounting:
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 department’s Policy Statement on Scholastic Dishonesty in the MPA Program (which includes the integrated five-year MPA program and the traditional MPA program). 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 that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

In simple terms, integrity is a public good from which we all benefit. I view the above statement as a commitment to integrity, not as a threat against students. It is my intent to conduct this course in an environment of trust and cooperation. I can only achieve this goal if you join me in maintaining an atmosphere of absolute ethical integrity in this course and in our MPA program. We cannot afford to tolerate any less.

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

I believe that learning takes place through a healthy exchange of ideas. Therefore, for this class, you are welcome to discuss issues related to assigned cases and homework problems with other students. However, I expect the final product of each assignment to reflect your individual effort (with the exception of the capstone project that is assigned in groups of four). **You may not copy or paraphrase from others’ solutions.** Examples intended to clarify this policy follow:

**Examples of collaborative efforts that I welcome (applies only to this course):**

- A student is confused about an ambiguous aspect of a case or homework problem, and asks another student what s/he thinks.

- Students ask questions and share insights in the class discussion board. (This is appropriate because everyone benefits.)

**Examples of collaborative efforts that I do not tolerate:**

- Student X completes a case before student Y (or in an earlier semester). Y asks X for X’s solution. Y bases his/her solution on X’s solution, changing a few words here and there to make it look original. This is an example of plagiarism, which takes advantage of student X and does not evidence any meaningful learning on the part of student Y. Both X and Y are guilty of scholastic dishonesty.

In addition to the (sometimes subtle) changes I make to the cases each semester, students should be aware that assignments required to be submitted online via Canvas may be analyzed with a plagiarism-detection tool such as Turnitin.com. Turnitin is a software resource intended
to address plagiarism. The software works by cross-referencing submitted materials with an archived database of journals, essay, newspaper articles, books, and other published works. I also maintain a repository of completed cases submitted in prior semesters. Other methods may also be used to determine originality. Plagiarism software is not intended to replace or substitute for the faculty member’s judgment regarding detection of plagiarism.

• A student finds a source relevant to a case or presentation and copies from it, without using quotation marks, indentation, or other references to acknowledge the source. This is another example of plagiarism, which is a clear instance of scholastic dishonesty.

• A student completes a data related case and gives the solution file to another student. Blatant copying of this nature is a serious form of scholastic dishonesty.

• Any collaboration or breach of security on a course examination is scholastic dishonesty of the most severe variety. Cheating on an examination can result in a significant academic penalty, including the possibility of an “F” for the course.

For more information on University policies and procedures regarding scholastic dishonesty, see the Student Judicial Services website at http://deanofstudents.utexas.edu/sjs/.

When in doubt, you should always feel free to ask me.

If you have read this far, thank you! The fact that you read 9 pages of syllabus material shows that you care about this class and want to succeed. History suggests that only about half of all students read the entire syllabus, so I want to give you a small token of my appreciation for being in that half. Accordingly, if you send me an email by with your name and section in the subject line by Monday, January 23, 2017, I will award you one extra credit point. Thanks!

The remainder of this syllabus contains the course schedule and assigned homework problems.
**Course Schedule**

Assigned chapters are from *Auditing: A Risk-Based Approach to Conducting a Quality Audit*, 10th ed., by Johnstone, Gramling, and Rittenberg (Southwestern / Cengage Learning, 2016). Various other readings and course files will supplement the text.

**IMPORTANT:** Please complete each day’s assigned reading **before class**. The readings provide necessary background for understanding classroom discussion. The list below is subject to change. If it changes, I will notify you and post a new schedule to Canvas.

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>To be submitted via Canvas before class starts</th>
<th>Reading assignment to be completed before class</th>
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<tbody>
<tr>
<td>Wednesday, January 18, 2017</td>
<td>Introduction</td>
<td></td>
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<tr>
<td>Monday, January 23, 2017</td>
<td>How auditing became a regulated industry</td>
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<td>Monday, January 30, 2017</td>
<td>The PCAOB</td>
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<tr>
<td>Wednesday, February 1, 2017</td>
<td>Auditing in a regulatory flux</td>
<td>CASE 1</td>
<td>Franzel letter</td>
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<tr>
<td>Monday, February 6, 2017</td>
<td>Auditor independence and ethics</td>
<td></td>
<td>Ch. 4, pp. 142-163</td>
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<tr>
<td>Wednesday, February 8, 2017</td>
<td>Begin internal controls</td>
<td></td>
<td>Ch. 3</td>
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<tr>
<td>Monday, February 13, 2017</td>
<td>The integrated audit</td>
<td></td>
<td>Ch. 5, pp. 194-210</td>
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<tr>
<td>Wednesday, February 15, 2017</td>
<td>Internal controls: What we have learned</td>
<td>CASE 2</td>
<td></td>
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<tr>
<td>Wednesday, February 22, 2017</td>
<td>EXAM 1 (in class)</td>
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<tr>
<td>Monday, February 27, 2017</td>
<td>Audit planning and risk assessment</td>
<td></td>
<td>Ch. 1, pp. 23-28 Ch. 5, pp. 186-194</td>
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<tr>
<td>Wednesday, March 1, 2017</td>
<td>Risk assessment: Regulatory and strategic considerations</td>
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<td>Ch. 7, pp. 292-314</td>
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<tr>
<td>Date</td>
<td>Activity</td>
<td>Case/Chapter(s)</td>
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<tr>
<td>Monday, March 6, 2017</td>
<td>Begin audit sampling</td>
<td>CASE 3</td>
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<td>Ch. 8, pp. 340-364</td>
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<tr>
<td>Wednesday, March 8, 2017</td>
<td>Finish audit sampling; begin audit reporting</td>
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<td>Ch. 15</td>
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<tr>
<td>Monday, March 13, 2017</td>
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<td>SPRING BREAK WEEK</td>
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<td>Wednesday, March 15, 2017</td>
<td></td>
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<tr>
<td>Wednesday, March 22, 2017</td>
<td>Overview of substantive audit evidence</td>
<td>CASE 4</td>
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<td>Ch. 6</td>
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<td>Ch. 14, pp. 670-671</td>
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<td>Monday, March 27, 2017</td>
<td>Data analytics</td>
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<td>Wednesday, March 29, 2017</td>
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<td>EXAM 2 (in class)</td>
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<td>Monday, April 3, 2017</td>
<td>The revenue cycle</td>
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<td>Ch. 9</td>
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<td>Strauss article</td>
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<tr>
<td>Wednesday, April 5, 2017</td>
<td>Finish revenue cycle, begin purchasing cycle</td>
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<td>Ch. 11</td>
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<td>Ch. 8, pp. 372-376</td>
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<tr>
<td>Monday, April 10, 2017</td>
<td>Finish purchasing cycle</td>
<td></td>
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<td>Wednesday, April 12, 2017</td>
<td>Correcting errors and evaluating materiality</td>
<td>CASE 5</td>
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<td>Ch. 14, pp. 664-667</td>
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<td>Ch. 16, pp. 775-778</td>
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<tr>
<td>Monday, April 17, 2017</td>
<td>Going-concern issues and other special topics</td>
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<td>Ch. 14, pp. 668-694</td>
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<tr>
<td>Wednesday, April 19, 2017</td>
<td>Services beyond the financial statement audit</td>
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<td>Ch. 17</td>
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<tr>
<td>Monday, April 24, 2017</td>
<td></td>
<td>Group presentations</td>
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<td>Wednesday, April 26, 2017</td>
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<td>Group presentations</td>
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<tr>
<td>Monday, May 1, 2017</td>
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<td>Group presentations</td>
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<tr>
<td>Wednesday, May 3, 2017</td>
<td></td>
<td>Group presentations</td>
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<tr>
<td>Saturday, May 13, 2017</td>
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<td>Final Exam (7pm to 10pm)</td>
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Homework

Homework will not be collected. However, completing the homework and reviewing the solutions will help you understand the material and do better on the exams, which can draw from this material. The topics and chapters listed below are in the order that we will cover them.

Segment 1: The contemporary auditing environment and audit standard setting
  Ch. 1: All true/false (T/F) and multiple choice, 1-37, 1-41, 1-42.
  Ch. 2: All T/F and multiple choice, 2-25, 2-36, 2-38, 2-44, 2-48, 2-49, 2-55.
  Ch. 5: 5-1, 5-2, 5-4, 5-25, 5-26, 5-28, 5-49.

Segment 2: Auditor independence and ethics
  Ch. 4: 4-6, 4-7, 4-11, 4-12, 4-20, 4-24, 4-48, 4-58, 4-59, 4-60, 4-63, 4-64.

Segment 3: Internal controls and the integrated audit
  Ch. 3: All T/F and multiple choice, 3-44, 3-56, 3-58, 3-60, 3-74, 3-76.
  Ch. 5: 5-20, 5-24, 5-41, 5-42, 5-43, 5-44, 5-46, 5-48, 5-67, 5-74, 5-83, 5-87.

Segment 4: Audit risk and materiality
  Ch. 5: 5-9, 5-11, 5-16, 5-40.
  Ch. 7: All T/F and multiple choice, 7-32, 7-36, 7-38, 7-39, 7-45, 7-53, 7-54, 7-56.

Segment 5: Audit sampling
  Ch. 8: 8-3, 8-4, 8-7, 8-8, 8-10, 8-15, 8-16, 8-18, 8-20, 8-22, 8-39, 8-40, 8-41, 8-43, 8-46, 8-50.

Segment 6: Audit reporting
  *For 15-60, ignore the requirement to specify whether the explanation should precede or follow the opinion. Just specify the appropriate type of report for each item.

Segment 7: Audit evidence and transaction cycles
  Ch. 6: All T/F and multiple choice, 6-41, 6-44, 6-45, 6-46, 6-48, 6-50, 6-52, 6-63, 6-67.
  Ch. 9: All T/F and multiple choice, 9-33, 9-34, 9-44, 9-63, 9-64, 9-66, 9-67.

Segment 8: Correcting errors, going-concern issues, and other special topics
  Ch. 14: All T/F and multiple choice, 14-56, 14-60, 14-63, 14-72, 14-79, 14-82, 14-87, 14-94.
  Ch. 16: 16-3, 16-4, 16-17, 16-32, 16-33, 16-34, 16-36, 16-37, 16-38, 16-39.

Segment 9: Services beyond the financial statement audit