

ACCOUNTING 431
AUDITING
Spring 2014 – Day Class

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Office Hours: Tuesday 11:00 – 12:00 a.m., Tuesday 5:30-6:00 p.m., and by appointment.

Text: *Auditing: An Integrated Approach.* Arens, Elder & Beasley. Fourteenth Edition.

Course Description:

This course provides an introduction into the field of external financial statement auditing. The course provides coverage of the environment in which auditing takes place as well as a study of audit objectives and the appropriate procedures for meeting those objectives. The focus of the course is on the auditor's decision-making process. This process includes judgments regarding the nature and amount of evidence the auditor should accumulate after considering the unique circumstances of each audit engagement. This course also provides a good background on which an individual can build to prepare to sit for the auditing section of the CPA exam.

Learning Objectives:

After taking this course, students will be able to:

- Understand the regulatory structure of auditing, including The Auditing Standards Board, Generally Accepted Auditing Standards (GAAS), the Public Company Accounting Oversight Board (PBAOB), the Securities & Exchange Commission (SEC), and the Professional Code of Conduct.
- Understand the role of CPAs in Society and the requirements to become a CPA.
- Understand legal liability as it pertains to CPAs.
- Understand how to plan an audit including: performing risk assessments and establishing materiality and designing audit procedures.
- Understanding audit evidence including the difference between substantive audit tests and tests of controls.
- Understand statistical sampling as it pertains to audit tests.

- Understand the different types and meanings of audit reports.

Grading:

Midterms 1 @ 100 points	100
Final (comprehensive)	150
Quizzes 10 @ 10 points each	100
Research Paper	<u>100</u>
Total	450

Grades will be assigned using the traditional 90%, 80%, 70% cutoffs. If the instructor feels that it is appropriate a curve will be used to assign grades. The curve would be approximately 20% A's, 30% B's, and 50% C/D/F's. A curve will only be used if it results in higher grades than would result from the 90%, 80%, 70% cutoffs.

Quizzes:

Tentative dates for the quizzes are noted on the class schedule. The two lowest quiz scores will be dropped for grading purposes. No make up quizzes will be given under any circumstances.

Exams:

Exams will be given during the regularly scheduled class times. If you must miss an exam please contact the instructor before the exam you will be missing is given.

Class Conduct:

All individuals in the class are expected to conduct themselves in accordance with the School of Business's Code of Professionalism.

**School of Business
Code of Professionalism
(What We Expect of Each Other)**

Faculty, staff, and students in the School of Business at Southern Illinois University Edwardsville are expected to contribute to a culture of integrity and professionalism. Our School's culture encourages behaviors associated with educated and self-disciplined individuals. Those behaviors include:

- being honest;
- being reliable and prepared;
- being responsible for one's own actions and decisions; and
- being respectful of all individuals

Date	Topic	Readings	Homework	Quizzes
Jan 14	Introduction Structure of Auditing Profession	Chp. 1 Chp. 2	1:19	
Jan. 16	Audit Reports	Chp. 3	3:28	
Jan. 21	Audit Reports	Chp. 3	3:29,30	#1
Jan. 23	Audit Reports Professional Ethics	Chp 3 Chp. 4	4:21	
Jan. 28	Professional Ethics	Chp. 4	4:25	#2
Jan. 30	Legal Liability	Chp. 5	5:19,21,23	
Feb. 4	Legal Liability	Chp. 5	5:25,26	#3
Feb. 6	Auditor Responsibilities	Chp 6		
Feb.11	Auditor Responsibilities Management Assertions Fraud Risk Assessment	Chp. 6	6:26	#4
Feb. 13	Audit Evidence	Chp. 7	7:32,34	
Feb. 18	Materiality and Risk	Chp 9	9:29,34	#5
Feb. 20	Materiality and Risk	Chp. 9		
Feb. 25	Internal Controls	Chp. 10	10:24,29	#6
Feb. 27	Overall Audit Plan	Chp. 13		
March 4	Exam			
March 6	To be announced			
March 11	Spring Break- No Class			
March 13	Spring Break – No Class			

March 18	Tests of Controls Discuss Research Papers	Chp 14	14: 26,28	
March 20	Attribute Sampling	Chp 15	15:30	#7
March 25	Attribute Sampling	Chp. 15	15:31	
March 27	Accounts Receivable	Chp. 16	16:24	#8
April 1	Statistical Sampling	Chp 17	17:31	
April 3	Statistical Sampling	Chp 17		#9
April 8	Inventory	Chp. 21	21:30	
April 10	Cash	Chp. 23	23:20	#10
April 15	Audit Working Papers			
April 17	Meetings on Research Papers			
April 22	Completing the Audit Research Paper Due	Chp. 24	24:30	#11
April 24	Completing the Audit	Chp. 24	24:35	
April 29	Fraud Auditing	Ch. 11		#12
May 1	To be announced			
May 8	Final Exam 8:00 a.m. – 9:40 a.m.			

ACCOUNTING 431CAUDITING
RESEARCH PAPER
Spring 2014

Auditing Questions

1. Using SAS No. 99 as a guide answer the following questions:
 - a. From reviewing the company's annual report, 10-K, proxy, etc., perform a fraud risk assessment for the company.
 - b. Based on the factors found in part (a) what would be an appropriate response for the auditor in terms of planning and performing an audit of this company? Be specific. Identify the specific parts of the financial statements you would focus on and give specific audit tests for those areas.
2. Using analytical procedures to identify accounts/areas that might contain a misstatement, what are the possible misstatements that might be indicated with those analytical procedures? What misstatements do you believe would be the most likely, given the results of your analytical procedures? What specific audit procedures should be used to test for the suspected misstatements?
3. Has the company changed auditors recently and, if so, what information is available regarding the following points?
 - a. The reasons given by the company for changing auditors.
 - b. The types of audit reports the company received from the old auditor prior to the change.
 - c. The steps required of the new auditor before accepting the new client. (Support your answer with the appropriate auditing standards.)
 - d. Discuss the 8-K requirements for the company and the auditor.