

THE UNIVERSITY OF TEXAS AT AUSTIN
ACC 362, Auditing and Control

Course Syllabus
Spring 2019

Time and Location:

Tuesdays and Thursdays, 9:30-11:00 (unique no. 02450) in UTC 1.104

Instructor

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

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Office hours: Tuesdays from 1:00 – 2:30 p.m. (and by appointment)

Note: *Please e-mail if you wish to schedule an appointment.*

Teaching Assistant

Xuanning Cui

E-mail: cuixuanning@utexas.edu

Xuanning will assist with the grading of cases and exams. After graded cases are returned, 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.*

Canvas

We will use the web-based Canvas course site extensively. To access Canvas, follow the links from your MyUT Student Portal or the University website.

I will use Canvas to post announcements, course materials and scores. ***Please check Canvas frequently and before every class, exam and case due date.***

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, response or comment. ***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 and exams.*** Entering the classroom after class or an exam begins is distracting and 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.

In my experience as an instructor and student (and as confirmed by certain studies), electronic devices are also distracting and disruptive. ***Accordingly, the use of electronic devices in class is not permitted. Please turn your cell phone, tablet, laptop and other devices off before class begins.*** PowerPoint slides for each course topic will be available on Canvas 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.

Required Course Materials:

Course files. As noted above, I will provide PowerPoint and other files (including supplemental non-textbook readings, homework solutions, and cases) on Canvas. ***These materials do not substitute for class itself, so it is important to attend each class session.***

Auditing: a Risk Based Approach, 11th ed., by Johnstone-Zehms, Gramling & Rittenberg (Cengage Learning, 2019).

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 and the reduction of fraud.
3. Auditing standards and the current audit environment.
4. Auditor liability and ethical responsibilities.
5. Internal controls and the integrated audit.
6. Audit planning, including the risk-based approach to auditing and audit risk model.
7. The need to gather sufficient, competent audit evidence to conduct a quality audit.
8. The use of sampling in audits.
9. The framework for auditing a company's revenue and purchasing cycles.
10. End-of-audit issues and procedures.
11. Reporting audit findings.
12. Issues arising in past accounting and auditing scandals.

Grading

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

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

I do not, prior to the semester, establish fixed point or percentage cut-offs regarding letter grades. I will make these determinations at the end of the semester based on both relative and absolute performance considerations. Historically, my grade distribution in this course has been approximately 25-35% A/A-'s, 50-65% B+/B's and the remainder below. *However, the foregoing is not a commitment to such a grade distribution and this semester's distribution may differ.*

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 or indicators as to percentage cutoffs for particular grades.*

Each graded component is described below:

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

Examinations will emphasize concepts and issues discussed in class and/or addressed in PowerPoint slides to be provided, although any material from assigned readings is "fair game" for testing. Exams will contain objective (multiple choice and true-false) questions, and 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, 15, 5 and 6. The final examination will emphasize 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 (four worth 100 points)

To refine your writing skills and your ability to deal with more realistic and less structured problems in auditing, there will be four case exercises based on real-world examples that have been adapted for teaching purposes. Cases 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 may be no single “right answer” and multiple views can be defended. ***It is important to be both complete and concise in your case analyses and to carefully follow case instructions.*** *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 and must be double-spaced, use a font no smaller than 10, and have left and right margins of at least 1”.*

In the formative stage of a case assignment, you are welcome to discuss the case with other students ***in this class (but not other classes, past or present)***, including on Canvas. ***However, discussing a case with individuals not currently in this class (other than the University Writing Center, as discussed below) or relying on or copying from another student's solution is scholastic dishonesty and will be penalized severely.*** (See "Policy on Scholastic Dishonesty" later in this syllabus for clarification.) You are also welcome to discuss and clarify case issues by posting to the Canvas discussion forums, as well.

The assigned cases and their point allocations are listed below:

Case	Source	Topic
1. MHA Textiles (15 points)	PwC Case Series (2005)	Dealing with client requests
2. Waste Disposal, Inc. (30 points)	Adapted from a case by Ragothaman, Wilcox and Davies (American Accounting Association, 2003)	Evaluating risks in audit planning
3. TBA (25 points)		
4. TBA (30 points)		

All cases will be due in class on the day indicated in the Course Schedule (below), unless otherwise instructed. We will discuss certain 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 Attendance and Participation," below).

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

The capstone project in the latter part of the semester will involve assigned groups of three 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 Attendance and Participation (50 points)

Your attendance and 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 your attendance and my 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!*
- *Attending and showing interest in other groups' presentations, or in the presentations of any guest speakers.*

I do not "micromanage" participation or expect that you will contribute in every 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.

I do not take attendance every class, as my expectation (being that you are seniors in a top accounting program and business school) is that you will consistently attend class. ***However, I will take attendance from time to time (and at least 10 times) during the semester, including on group presentation days. Days on which attendance is taken will not be announced in advance, except for group presentation days. Any student who is absent or materially late to class on 50% or more of the days on which attendance is taken (as indicated by sign-in sheets I will circulate, and which are your responsibility to complete if present) will receive an attendance and participation score of zero (out of 50) in the course.***

I will also take into account any violations of course policies, such as consistent tardiness or arriving late for an exam, the use of electronic devices in class, or any other activities that are disruptive to the 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 an appointment to see me. I will be happy to provide suggestions on how you might improve your performance in the course.

Discussion Forums

Along with other features of Canvas, I strongly encourage you to take advantage of the discussion forums 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 forums on a regular basis and more frequently prior to exams and case due dates.

Ground rules for discussion forums:

1. *For questions or comments of general interest to the class (i.e., non-personal matters), please use Canvas, not e-mail!*
2. *Be professional and courteous.* Discussion forums 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 forum. I will often use it to communicate important 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.*

Canvas downtimes and cases:

As with all computer systems, there are occasional scheduled downtimes and unanticipated interruptions of the Canvas system. Notification of these disruptions will be posted on the Canvas login page. Scheduled downtimes are **not** an excuse for turning in a case late or failing to complete other course requirements. *As downtimes are often unpredictable, I advise you to print out case and other course materials as soon as they are available.*

Homework

Each chapter in the text is followed by multiple choice and true-false problems that you can complete for practice. I suggest that you complete these problems following each **full** chapter that we cover (we only cover a portion of Ch. 17). Solutions will be posted on Canvas.

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 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 or other verification of the emergent situation or conflict. ***If appropriate, I strongly suggest that you register any such emergencies 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, an extension, 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. Although recruiting can be time-consuming and tiresome, I do not expect such activities to create direct conflicts with exams (which will take place in class) and cases (which are assigned several days before their due dates). ***If you must miss class and a case is due that day, you should email the case to me (with a copy to our TA) before class begins.***

Religious Holidays

Religious holy days sometime conflict with examination and assignment schedules. If you must 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 *prior* to the exam or case scheduled on the date you will be absent to observe a religious holiday. *Please provide as much notice to me as possible.*

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 (SSD). If you are a qualified student with a disability, please provide your SSD letter as soon as practicable and 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.

The University Writing Center

I encourage you to use the University Writing Center (UWC), now located in the Learning Commons of the Perry Castaneda Library (PCL), to assist you with writing your case analyses. The UWC offers constructive, expert help with writing, by appointment or on a drop-in basis (although I suggest you make an appointment and not wait until the "last minute") on both academic and non-academic writing. This is 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 Department of Accounting

The Department of Accounting has a Policy Statement on Scholastic Dishonesty to which this course shall adhere. It is available via the Department website at <http://www.mcombs.utexas.edu/MPA/Student-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 Department's Policy Statement on Scholastic Dishonesty in the 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 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 in this class (but not others). You may work in the formative stages of an assignment with others in this class if you wish to clarify facts and issues. **However, I expect the final product of each case to reflect individual composition and not be the result of joint or collaborative preparation*** (with the exception of the “pick a scandal” presentations, or any other assignments expressly allowed 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 this section what s/he thinks.
- Students ask questions and share helpful insights in class or on Canvas.

Examples of collaborative efforts that are unacceptable:

- Student A completes a case (or draft) analysis before student B. B asks A for or obtains A's solution. B bases his/her solution on A's solution, in whole or in part. 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.

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 Risk Based Approach*, 11th ed., by Johnstone-Zehms, Gramling & Rittenberg (Cengage Learning, 2019). **Various other readings and course files will supplement this text and may 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
Jan. 22	Course introduction/ Introduction to auditing and assurance services	Syllabus; Ch. 1
24	Introduction to auditing, continued	
29	The role of auditing in corporate governance and the deterrence and detection of fraud	Ch. 2
31	The role of auditing, continued	
Feb. 5	Internal control over financial reporting	Ch. 3
7	Internal control over financial reporting, continued	
12	Auditor liability and ethics	Ch. 4
14	EXAM 1 (in class), covering Chs. 1-3	
19	Auditor liability and ethics, continued	
21	Audit reporting	Ch. 15
26	Audit reporting/ Case 1 due	
28	Audit concepts and the audit process	Ch. 5
Mar. 5	Audit concepts, continued/ Audit evidence	Ch. 6
7	Audit evidence	
12	Materiality	Ch. 7 (pp. TBA)
14	EXAM 2 (in class), covering Chs. 4, 15, 5, 6	

19/21	<i>Spring Break!</i>	
26	Audit planning and risk	Ch. 7 (remainder)
28	Audit sampling	Ch. 8
Apr. 2	Audit sampling/ Case 2 due	
4	Revenue and inventory fraud	• SEC Complaint
9	DAY 1 OF GROUP PRESENTATIONS	

11	Auditing the revenue cycle	Ch. 9
16	Auditing the purchasing cycle	Ch. 11
18	Case 3 due	
23	DAY 2 OF GROUP PRESENTATIONS	
25	Special issues in completing the audit	Ch. 14
30	Special issues in completing the audit, continued/ Case 4 due	
May 2	DAY 3 OF GROUP PRESENTATIONS	
7	<i>No class</i>	
9	FINAL EXAM (in class)	