



# THE UNIVERSITY OF TEXAS AT AUSTIN McCOMBS SCHOOL OF BUSINESS

## ACC 358C/380K.4 AUDITING AND OTHER ASSURANCE SERVICES COURSE SYLLABUS Fall 2018

### **Time and Location**

Tuesday/Thursday: 9:30 – 11:00 am; UTC 1.116 (Unique #02490/02630)

### **Instructor**

Jeffrey L. Johanns, CPA, CGMA

- Assurance Partner, PwC (1995 – 2011)
- PwC National Office Partner (2003 – 2011)
- PwC Assurance Risk Management Leader (2008 – 2011)

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Twitter: @JohannsAudit

Office Hours: Wednesday, 9:30 – 11:00 am; or by appointment

### **Teaching Assistant**

Alec Weissman

Email: [weissman2018@utexas.edu](mailto:weissman2018@utexas.edu)

(Office hours will be posted on Canvas)

### **Canvas**

We will use Canvas extensively in this course for posting class materials and announcements. You should check Canvas daily. Also, make sure that you have your settings made to receive email notifications of all course announcements published on Canvas.

### **Required Course Materials**

1. Textbook: *Auditing: A Risk – Based Approach* **11<sup>th</sup> Edition**. (Johnstone, Gramling and Rittenberg), Cengage Learning, Inc. 2019, 2016.  
ISBN: 978-1-337-61945-5
2. Course files: PowerPoint slides, supplemental non-textbook readings, study aids and cases will be *posted to Canvas*, or a link provided.
3. Twitter: My postings @JohannsAudit represent course materials.
4. Websites (as specified): e.g. [www.thecaq.org](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. Issues in auditing complex areas – e.g. management estimates
12. End-of-audit issues and procedures.
13. Reporting audit findings. Various types of audit reports.
14. Other services provided by auditors.
15. The use of Data Analytics in the audit process.
16. Issues arising in accounting and auditing scandals.

## **Grading**

Course grades will be based on the following:

	<b>% of grade</b>
Exam 1	24%
Exam 2	21%
Exam 3	20%
Cases	15%
Group project	10%
Participation	<u>10%</u>
<b>Total</b>	100%

***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 uses a plus/minus grading system for courses and the Department of Accounting GPA guideline for this course is 3.2 – 3.4.

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 first two exams 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 grade component is discussed below:

### **Examinations**

***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/or essay questions. I will provide additional exam-related information approximately three class periods prior to each exam.

The second examination will test material covered following the first examination. The third examination will emphasize material covered after the second 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. Exams will be held during regularly-scheduled class periods, so no make-up exams will be scheduled.

### **Cases**

To refine your ability to analyze more realistic and less structured problems in auditing, there will be (at least) one graded case exercise based on real-world examples that have been adapted for teaching purposes. Cases will be posted on Canvas under "Assignments".

All 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. **Cases must be submitted through both the "Assignments" section on Canvas and turned in in hard copy.**

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.*

## **Group Project – “Pick a Scandal”**

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**

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, 10% of your course grade will be based on your cumulative participation in this class.

To earn points for participation:

- Ask and answer questions and offer insights in class. Attending class only will not earn the highest participation grade.
- 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.
- Following me on Twitter @JohannsAudit will help you participate.

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.***

### **Professional Conduct**

The MPA program at Texas is one of the most highly regarded accounting programs in the country. In order to preserve our reputation, our students must maintain a high standard of professionalism at all times. Professional conduct, as it relates to this class, involves:

1. Arriving to class on time
2. Attending only the sections for which you are registered
3. Preparing for class in advance
- 4. Turning off all cell phones and laptops closed**
5. Keeping personal breaks during class to an absolute minimum
6. Attending class to learn, *not merely to take a quiz and leave abruptly*
7. Refraining from side conversations or other disruptive behavior
8. Being respectful toward your fellow peers and the McCombs Faculty

I expect you to behave professionally. In return, you can expect that my TA's and I will strive to provide you with the best accounting education possible.

## **Discussion Board**

Along with other features of Canvas, 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 Canvas 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.



## 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 in Canvas. 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. If you miss an exam due to an illness or other emergency, you should notify me before the exam, if possible, and also provide notification and proof of emergency to Student Emergency Services (<http://deanofstudents.utexas.edu/emergency/>). They will require proof of emergency and will provide me official acknowledgement of the emergency. However, I have final authority to determine if your absence is excused. 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
- Further 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/qi06-07/app/appc09.html>.

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

*For this class, you may discuss issues related to assignments 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.

**Tentative Course Schedule** follows (*subject to change at any time*):

	Course Schedule ACC 358C/380K.4 Fall 2018	
DATE	TOPIC	ASSIGNMENT**
Aug. 30 - TH	Course introduction/Overview of the profession	Syllabus/Chapter 1 (p. 1 – 14)
Sept. 4 – T	Course introduction/Overview of the Profession	Chapter 1/CAQ Guide to Public Co. Auditing; pp 1-5
Sept. 6 – TH	Overview of the audit process/Audit standards	Chapter 5
Sept. 11 – T	Internal Control over financial reporting	Chapter 3/CAQ guide to ICFR
Sept. 13 – TH	Internal Control over financial reporting	Chapter 3/CAQ guide to ICFR
Sept. 18 – T	Risk of Fraud/Corporate governance	Chapter 2/CAQ deterring and detecting fraud – Exec. Summary and Prologue
Sept. 20 – TH	Professional liability/Auditor judgment/Ethical decisions	Chapter 4/Chapter 1 (p. 15 – 27)
Sept. 25 – T	<b>Exam 1 – In Class</b>	
Sept. 27 – TH	Planning the audit	Chapter 7/CAQ Guide to Public Co. Auditing; pp 6-9
Oct. 2 – T	Planning the audit	Chapter 7
Oct. 4 - TH	Audit evidence	Chapter 6
Oct. 9 - T	Auditing the Revenue Cycle	Chapter 9
Oct. 11 - TH	Data Analytics - Introduction TechWear Parts I and II	
Oct. 16 - T	Sampling	Chapter 8
Oct. 18 - TH	TechWear Part III/Parts I and II review	<b>TechWear Parts I and II due</b>
Oct. 23 - T	Auditing the Acquisition and Payment Cycle	Chapter 11/ <b>TechWear Part III due</b>
Oct. 25 - TH	TechWear Part III review	
Oct. 30 - T	TechWear Part IV	

Nov. 1 - TH	TechWear Part V	
Nov. 6 - T	<b>Exam 2 – In Class</b>	
Nov. 8 - TH	Completing a quality audit	Chapter 14
Nov. 13 - T	Completing a quality audit	Chapter 14
Nov. 15 - TH	Audit reports	Chapter 15
Nov. 20 - T	Other auditor services	
Nov. 22 - TH	<b>Thanksgiving</b>	
Nov. 27 - T	Group presentations	
Nov. 29 - TH	Group presentations	
Dec. 4 - T	Group presentations	
Dec. 6 - TH	<b>Exam 3 – In Class</b>	

**\*\*This is a tentative summary only, subject to change. Assigned readings include all materials posted in individual Canvas modules.**