

ACCOUNTING 451
Auditing: Theory and Practice
Fall 2007

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OFFICE HOURS:

TTH 1:00-2:15 and
MW 9:30-10:30 and by appointment

MATERIALS:

Required—Ricchiute, *Auditing and Assurance Services (8th ed)*
Required—Scantron form 882. For individual quizzes, group quizzes and tests (approximately 20 total)
Required—*Geld & Klein Case Study* (one for every group of students completing the G&K project)
Optional—Gleim and Hillison, *CPA Review Auditing*, available in bookstore with reference materials or by calling 800-87-GLEIM

PREREQUISITE: Acct 302 or consent of the instructor

COURSE OBJECTIVES: After completing the course students should be able to:

1. define the term “independent auditing.”
2. explain the relationship between the client’s controls and the amount of substantive testing required
3. distinguish between the validity of external, external/internal and internal evidence.
4. list the five management assertions.
5. state the party with primary responsibility for the financial statements.
6. determine the nature of the audit report issued in various circumstances.
7. define and describe the three letters that are part of the auditing process.
8. explain the importance of auditor independence.
9. perform basic workpaper techniques, such as tickmarking and workpaper set up.

EXPECTATIONS: As you expect a good attitude and preparation from me, I expect the same from you.

EVALUATION: Your course grade will be determined approximately as follows:

Three regular exams, 100 points each	300 points
Comprehensive final	150 points
Geld & Klein case	65 points
Chapter quizzes – individual	48 points
Chapter quizzes – group	48 points
Homework	25 points
Group assignments	35 points
Group evaluations	<u>9</u> points
Total	680 points

Grades are guaranteed according to the following scale: A: 90% and above, B: 80-89%, C: 70-79%, D: 60-69%, F: below 60%. There will be no extra credit projects available to individual students.

EXAMS: Each exam will consist of subjective questions, such as essays, and objective questions, such as multiple choice, matching, and problems. The final exam is comprehensive. For regular excused absences, the student has the option of taking the exam early (however not more than two weekdays prior to the exam day) or allowing the final exam to be worth 250 possible points. An absence can only be

considered excused is it meets university guidelines and the student has informed the instructor of his/her absence *prior to* the exam. For students who are participating in university activities, a letter from the sponsoring department must be provided a week prior to the activity. These students will have the additional option of taking a makeup exam during finals week at an agreed upon time.

GELD & KLEIN CASE: Over the course of the semester, students will complete certain sections of the Geld & Klein case in groups. The formation of these groups will be discussed later in the semester. The components are to be completed outside of class time. The project will be graded on completeness, correctness, neatness and writing skills. It is important that all group members contribute to each section of the project. The grade an individual student receives will be based upon the overall project grades and the quantity and quality of the individual's contributions. Questions relating to the case may appear on the tests. By completing this assignment, students will learn about workpaper techniques, such as tickmarking, that will be useful on their first job.

QUIZZES: In order to efficiently use the limited classroom time allocated for this class, it is essential that students carefully read and spend time studying the material before coming to class. Therefore, on the days indicated on the assignment schedule, a quiz will be given over the material contained in the chapter. The instructor's notes are available on WebCT in PowerPoint format to help in understanding the material presented in the textbook. Each quiz will be given twice, once on an individual basis and once on a group basis. Both scores will count equally for each group member assuming that each participates acceptably in the process. Information on the formulation of the groups will be given in class. The lowest individual and the lowest group quiz grade will be dropped.

Make-up quizzes will only be given if the student has an excused absence and informs the instructor of his/her absence *prior to* the quiz.

HOMEWORK: If the homework is picked up on a random basis, grading will be based upon apparent effort. You should be prepared to submit solutions to written assignments the day they appear on the attached assignment schedule; *late homework is not accepted*. If you cannot attend class, send your homework with a friend or turn it in early. Other types of assignments such as in class problems or individual quizzes over speakers or films may be included in the category and will to be graded either on apparent effort or correctness, at the option of the professor. The lowest homework grade will be dropped.

GROUP ASSIGNMENTS: A number of cases, problems, exercises, projects, etc. will be assigned to be completed on a group basis. These will be done during the class period, with very little, if any, outside time needed. All members of the group will receive the group grade providing that all participate acceptably in the process. The lowest group assignment grade will be dropped. Each group member is expected to hand in an evaluation of all of the other group members on the day after each test. To attain all of the points allocated for these group evaluations, the students should turn in the evaluation on time and follow the instructions provided by the instructor regarding the required format.

Make-up group assignments will only be given in cases of excused absences. In addition, the students must inform the instructor of the absence *prior to* the class period in which the assignment is completed.

STUDY QUESTIONS AND MULTIPLE CHOICE: In order to determine the important points covered in the chapter, students should be sure that they understand the issues raised in the questions at the end of the chapters. The tentative assignment schedule lists those questions that the instructor views as relevant. Some of these questions will be directly covered in class discussion. The students should be sure that they cover the remaining questions. The answers to these questions, as well as the multiple choice questions, are available on WebCT.

ADVICE: Make full use of your instructor's help. Stay caught up every day. Be persistent. Ask questions in class. Don't miss classes. If you do have to miss class, remember that you are responsible for all material covered and all announcements made in your absence. You are also responsible to check the WebCT site periodically.

INCOMPLETE ("I" grade): You should be aware of the Incomplete Grade policy. The grade of "I" will only be assigned according to the guidelines in the 2007/2008 Undergraduate Catalog.

S/U GRADES: A grade of "C" or better must be earned to qualify as satisfactory performance on the S/U option if you are an undergraduate. Graduate students must earn a grade of "B" or better to qualify as satisfactory performance on the S/U option.

ACADEMIC APPEALS RULES: Details of the rules appear in the 2007/2008 catalog. The most important aspect is that the student must initiate the academic appeals process by submitting a written appeal to the faculty member within 30 days of the start of the term following the term in which the grievance occurred

STUDENTS WITH DISABILITIES: If you have or believe you have a disability and would benefit from any accommodations, you may wish to self-identify by contacting the Services for Students with Disabilities (SSD) Office located in Garcia Annex (phone: 646-6840). If you have already registered, please make sure that your instructor receives a copy of the accommodation memorandum from SSD within the first two weeks of classes. It is your responsibility to inform either your instructor or SSD representative in a timely manner if services/accommodations provided are not meeting your needs.

If you have a condition which may affect your ability to exit safely from the premises in an emergency or which may cause an emergency during class, you are encouraged to discuss any concerns with the instructor and/or Michael Armendariz, SSD Coordinator. Feel free to call Mr. Gerard Nevarez, Director of Institutional Equity and EEO/ADA Office at 646-3635 with any questions about the Americans with Disabilities Act (ADA) and/or Section 504 of the Rehabilitation Act of 1973. All medical information will be treated confidentially.

CPA EXAM AND 150-HOUR REQUIREMENT – New Mexico law requires applicants for the CPA Examination to have at least 150 semester hours of education. Texas and most other states also have the 150-hour rule, but the nature of these 150 hours can vary significantly from state to state. For example, in New Mexico, only 30 total hours of accounting are required to sit for the CPA exam. In Texas, 30 UPPER DIVISION accounting hours, plus an approved accounting ethics class, are required to sit for the exam. Including sophomore-level accounting courses, this totals 39 hours of Accounting. (NMSU provides a Texas-approved accounting ethics class.)

To find the requirements for a particular state, see the following AICPA website, which links to the various state boards of accountancy: <http://www.aicpa.org/yellow/ypsboa.htm>

Many who plan to sit for the CPA Exam choose to remain in school for a Master of Accountancy degree. If you are thinking about a career in public accounting, you may wish to consider this program as the most beneficial way to enhance your background and credentials before accepting a career position. In addition, the MAcc degree should allow you to meet the CPA certification requirements in most, if not all, states. If you are interested in entering the MAcc program at NMSU, please contact me (the director) at cseipel@nmsu.edu, Room BC 333, 646-5206 for more information. You should keep in mind, however, that professional certifications other than the CPA are available and may be more appropriate for your career objectives.

CAREER PLACEMENT: The prime time for job interviewing is the fall semester of the year you graduate, even if you graduate the following May or summer. May and summer graduates who do not interview in the fall will lose the opportunity to talk with a number of potential employers. It is therefore advisable to establish a placement credentials file at the NMSU Placement office in Garcia Annex sometime during the summer preceding your last academic year.

REMINDERS: You are responsible to drop the course, if necessary. The instructor MAY however, drop any individual who does not take the first test. To ensure that you will not be administratively dropped from the course, you must either take the first test or sign a contract indicating your intention to take the rest of the exams as scheduled. You should be aware of the following deadlines: The last day to drop a course with a "W" is October 16. The last day to withdraw from the university is November 16.

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Tentative Assignment Schedule

DAY	DATE	READING	TOPIC	STUDY QUES	DISCUSSION MC	HOMEWORK	OTHER	QUIZ
TH	8/23	CH 1	Intro Assurance Services	1, 4-5, 8-15	3-5, 8-12, 14, 16, 18, 19	1-2, 1-3, 1-5		
T	8/28	CH 2	Professional Standards	4, 8, 9, 12, 13, 15-19	4, 6, 9-16, 18-20	2-4, 2-9(part 1), 2-11, 2-12		Practice
TH	8/30		Professional Standards			2-13 (parts 1-4), 2-18		
T	9/4	CH 3	Reports	1, 4-7, 9-15	1-18	3-1, 3-2, 3-4		CH 3
TH	9/6	CH 4	Professional Ethics	6, 7, 9, 10, 11-20	2-20	4-3, 4-4, 4-5, 4-6		CH 4
T	9/11		Professional Ethics			4-11, 4-15, 4-16, 4-17		
TH	9/13	CH 5	Legal Liabilities	1-5, 10, 12, 14	1-3, 7-20	5-2, 5-3, 5-5, 5-6, 5-9		CH 5
T	9/18		EXAM I					
TH	9/20	CH 6	Evidence	1-10, 14-17	1-8, 10-20	6-2, 6-11, 6-12	Evaluation due	
T	9/25		Evidence			6-16, 6-17		
TH	9/27	CH 7	Audit Process	2-17	2-5, 9-19	7-5, 7-7, 7-8, 7-11		CH 7
T	10/2		Audit Process			7-12, 7-13, 7-14, 7-15		
TH	10/4	CH 8	Internal Control	3, 5-20	3-20	8-1, 8-2, 8-5, 8-7 (parts 1,2,4,5,6,)		CH 8
T	10/9		Internal Control			8-9, 8-12, 8-14		
TH	10/11	CH 10	Sales and Cash	1-20	1-20	10-1, 10-2, 10-3		CH 10
T	10/16		Sales and Cash			10-6, 10-7, 10-12		
TH	10/18		EXAM II					

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Tentative Assignment Schedule, cont.

DAY	DATE	READING	TOPIC	STUDY QUES	DISCUSSION MC	HOMEWORK	OTHER	QUIZ
T	10/23	CH 11	A/R and Cash	1-19	1-18, 20	11-1, 11-2, 11-6, 11-11		
TH	10/25		A/R and Cash			11-7, 11-8, 11-12, 11-13	Evaluation due	
T	10/30	CH 12	Purchases and Cash Disb.	1-17	1-20	12-1, 12-2, 12-3, 12-5, 12-10		CH 12
TH	11/1	CH 13	A/P, Prepaids, Accrueds	1-20	1-20	13-1, 13-4, 13-5, 13-6		CH 13
T	11/6		A/P, Prepaids, Accrueds			13-9, 13-10, 13-14		
TH	11/8	CH 15	Conversion Cycle Inventory only, not fixed assets	1-10	1-10	15-2, 15-4, 15-6		CH 15
T	11/13		Conversion Cycle Inventory only, not fixed assets			15-10, 15-11, 15-12		
TH	11/15		Project day - TBA					
T	11/27	CH 17	Completing Engagement	1-20	1-20	17-2, 17-5, 17-7		
TH	11/29		EXAM III (Ch 11, 12, 13, 15)				Evaluation due	
T	12/4		Completing Engagement, cont.			17-8, 17-9, 17-10		
TH	12/6		Extra or catch up					
		FINAL	Sec 1 Tuesday, Dec. 11, 10:30-12:30 Sec 2 Thursday Dec. 13, 10:30-12:30					