

**ACCOUNTING 551**  
**Advanced Auditing: Theory and Practice**  
**Spring 2008**

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Office: Business Complex 333

Office hours: MW 9:30-11:30 am and by appointment

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**MATERIALS:**

Required -- Beasley, Buckless, Glover, and Prawitt (BBGP) *Auditing Cases* (3<sup>rd</sup> ed)

Required -- Knapp *Contemporary Auditing Issues and Cases* (6<sup>th</sup> ed)

Required -- Ricchiute (RICC) *Auditing and Assurance Services* (8<sup>th</sup> ed) – Chapter 9

Required -- any undergraduate Auditing book to use as a reference

Required -- Scantron 882 forms - for individual quizzes.

Additional--AICPA Professional Standards on the computers in the BC Lab and the Christmore Room.

CDs are available for purchase in the lab to use on home computers (minimal charge)

Additional--Financial Accounting Standards in the reference section of the Branson Library

**PREREQUISITES:** Acct 451 and 452, or consent of instructor

**COURSE OBJECTIVES:**

- (1) to enhance students' understanding of the fundamental concepts of the auditing discipline,
- (2) to increase the ability of the students to research auditing issues that they encounter,
- (3) to discuss and analyze situations that auditors have dealt with in the past or may deal with in the future so that students can better deal with problematic scenarios that may face them in their career,
- (4) to increase students' awareness of the key ethical issues that audit practitioners presently face.

**GRADING CRITERIA:** The grades are to be determined by scores in two major performance areas:  
**Individual Performance and Group Performance.**

	<b>Grade Weights and Percentages</b>	
<b>AREAS:</b>	<b><u>Within Area</u></b>	<b><u>Of Total</u></b>
<b>1. Individual performance</b>		70%
Quizzes	15%	
Homework	15%	
Mid Term	30%	
Final	<u>40%</u>	
	100%	
<b>2. Group performance</b>		<u>30%</u>
Quizzes	30%	
Presentations	<u>70%</u>	
	100%	100%

**DETERMINATION OF FINAL GRADES:** The final grades will be determined as follows:

(1) A raw total score will be computed for each student in each of the two major performance areas. (In the individual performance area, this will be a **weighted** combination of the sum of the individual quizzes, the mid-term and the final exam. In the group performance area, this will be the **weighted** combination of the group quizzes, the case-related question, the case presentation, and the in-class group work scores).

(2) The raw score in the group performance area for an individual will be adjusted based upon the assessment of that individual's contribution to the group efforts during the semester. This assessment will be done during the final exam. Each group member will be given 100 points per other group member (for example an individual in a group of five will be given 400 points to allocate to the other group members). If a certain student averages 95 points from his/her other group members, the student will receive 95% of the points that the group has earned.

(3) Students' total scores will be computed by adding together a) the raw score in the individual performance area multiplied by 70% and b) the adjusted score in the group performance area multiplied by 30%.

(4) Course grades will be based on each individual's standing in the overall distribution of total scores within the class.

**QUIZZES:** In order to efficiently use the limited classroom time allocated for this class, it is essential that the 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 indicated.

Each quiz will be given twice, once on an individual basis and once on a group basis. Groups will be formed in class.

Make ups for individual 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, ETC:** Homework consists mostly of the items indicated as homework on the syllabus. Answers must be typed, complete and proper spelling and grammar must be used. The due date of the homework is indicated on the syllabus. For the case questions, any auditing issues that relate to the AICPA standards must be looked up and referenced. Use your old auditing text as a guide or to refresh your memory, but do not reference it unless no answer is available in the SASs. This is the way it is done in the "real world." The degree to which a particular answer meets the listed criteria is determined by the instructor, and the grade will be assigned accordingly. Homework will only be accepted if the student attended the corresponding class unless the student has an excused absence. **IF the student has an excused absence AND CONTACTS THE INSTRUCTOR PRIOR TO THE CLASS PERIOD**, the student may turn in the homework either early or late depending upon the agreement made with the instructor.

Other types of assignments may also be included in the category. These types of assignments will be graded either on apparent effort or correctness, at the option of the professor.

**Homework may be discussed with other class members but must be written up individually. Therefore no two homework papers should look like one another.**

**Even though not all of the questions are assigned as written homework, it is expected in a graduate class that you have looked over, thought about, and be prepared to discuss the answers to the other questions.**

**EXAMS:** Each exam will consist primarily of short answer and essay questions. For 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 count for the missed midterm exam points. An absence can only be considered excused if 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 prior to the activity. These students will have the additional option of taking a makeup exam during finals week at an agreed upon time.

**LEADERSHIP OF CASES FROM THE BOOKS :** Relatively early in the semester each group will be randomly assigned a case to lead. Cases with a “#” will be led by students just prior to spring break. As a discussion leader over an assigned case, the group will be responsible for and will be graded upon the following: (1) leading the class in a meaningful discussion of all of the questions in the case, not just those assigned to the rest of the class as homework (let the instructor know if you believe that any of the unassigned questions are not useful for discussion, this requirement may be waived in certain circumstances), (2) relating all auditing issues to the SASs, (3) relating any appropriate accounting issues to GAAP, (4) effectiveness with which the group involves the other groups in the discussion and (5) effective use of time in presenting the above. In addition, the group must turn in answers to the questions posed in the case. These answers must be typewritten and done with correct spelling and grammar.

**LEADERSHIP OF SEC FILE CASES:** At the end of the semester, each group will be randomly assigned a company which has been the subject of an SEC prosecution. These cases are indicated by a “&” on the syllabus.

No later than a week prior to the presentation, the group will need to send a WebCT email to the class containing the following:

1. the link to the appropriate filing on SEC Litigation Releases. Select a filing that contains enough information to understand the case and is complete (one of the later dates) but not overly long. Check with the instructor to ensure that you have a useful link before emailing it out to the class.
2. three homework questions made up as follows:
  - a. a question concerning the audit of the company which can be researched on the AICPA software
  - b. a question concerning the accounting issues which relates to the topic listed next to the case on the syllabus.
  - c. a question asking your classmates’ opinion on some large issue in the case. This issue can be an auditing or accounting question if the group wishes. If so, it needs to be distinguishable from the other auditing or accounting question asked.

If the above question format does not seem to “fit” your case, please see the instructor for a possible adjustment of the case question requirements.

The presentation itself will be evaluated based upon how well the group leads the class in a meaningful discussion of the SEC case and the questions discussed above. In addition, the effective use of time and the involvement of the class in the discussion will be evaluated.

No later than two days following the case presentation, the group must email the instructor two possible essay questions over the case. No answer needs to be provided for these essay questions.

**("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 2006/2007 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 2006/2007 catalog. The most important change made to the rules is that the student must now 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 Ms. Angela Velasco, Interim EEO/ADA and Employee Relations Director at 646-3333 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.

**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 March 12. The last day to withdraw from the university is April 20.

**Accounting 551  
Spring 2008  
Tentative Assignment Schedule**

Day	Date	Book	Chapter or Case	Homework	Topic	Quiz
M	1/28	Knapp	Introduction, form groups, auditing research orientation and project Tommy O'Connell	1	Staff Pressures	Practice
M	2/4	BBGP Knapp Knapp	Ocean Mfg. Baan Co PriceWaterhouseCoopers Securities	1,2,4 2 3	Client Acceptance Recent Professional Issues	Audit research process & cases
M	2/11	BBGP	Current Issues in Auditing (readings on WebCT) Enron Corp and Andersen LLP	1,2,7	Recent Auditing Issues	Case and Readings
M	2/18	BBGP BBGP	Waste Management Xerox	2,3,4,5 1,2,6,9	Recent Fraud Issues	Cases
M	2/25	BBGP BBGP BBGP	Ann Aylor Comptronix Your 1040.com	Schedule G-5 1,2,3,5 1(a-d),2	Materiality Audit Risk Computer Controls	Cases
M	3/3		Mid Term Exam TBA			
M	3/10	BBGP  Knapp Knapp	Murchison#  National Medical Transportation Network# Triton Energy	1,4,6 (do not draft the report in ques. 4, just state type of opinion that should be given) 2,3,4 2,3,4	Audit Report  Contracts with Clients FCPA	None
M	3/17	Knapp Knapp Knapp	Fred Stern (Ultramares)# First Securities Company # National Student Marketing#	2,3,5 1,3,5 1,4,6	Classic Litigation Issues	None
M	3/24		SPRING BREAK!			
M	3/31	RICC	Ch 9 Audit Sampling Attributes PPS Read chapter through pg 378 only	9-5, 6, 9	Statistical sampling concepts, attributes and PPS sampling	None

**Accounting 551  
Spring 2008**

**Tentative Assignment Schedule, Cont.**

M	4/7	RICC BBGP	Ch 9 Appendix Eye Max	9-17,18 1,2	PPS (cont), Classical Variables Sampling Methods, sampling in general	General sampling concepts and case
M	4/14	SEC Lit.	Carme & Craig Consumer Electronics & Micro Warehouse &	TBA	A/R Inventory Liabilities	None
M	4/21	SEC Lit.	Pier 1 & Sensormatic & Aurora Foods &	TBA	Investments Revenue recog. Estimates	None
M	4/28		In class project			
M	5/5		FINAL EXAM 6:00-8:00 in BC 115			