

**University of St. Thomas**  
**Spring 2006**  
**ACCT 717: Auditing**

**Professor:** Diane Matson, Ph.D., CPA, Assistant Professor

**Phone:** 651-962-5149

**E-Mail:** [dmmatson@stthomas.edu](mailto:dmmatson@stthomas.edu)

**Office:** McNeely Hall (MCN) 213

**Office Hours:** Before and After Class

**Location:** SCH 314, Minneapolis Campus

**Time:** Thursdays, 6:00 to 9:00 pm, February 2 – May 18

**Textbook:** Messier, Glover and Prawitt, Auditing & Assurance Services: A Systematic Approach (4th Edition) with the ACL software CD-Rom.

**Lecture Notes and Handouts:** Copies will be given in class and these will also be available on Blackboard.

**Course Objectives:** Students will understand the independent auditor's role and function. This understanding will include auditing standards, reports, ethics, legal responsibilities, evidence and procedures, internal control review and evaluation, transaction cycles, statistics and financial fraud. In addition, students will study current topics, such as the continuing impact of the Sarbanes-Oxley Act of 2002 on audit procedures and reporting. This course will help prepare you for a professional career in accounting and will be useful if you take various professional examinations.

**Course Structure:** Class sessions will include lectures, discussion and in-class homework. Comments based on your work experience and business knowledge are welcome. I encourage your questions and observations.

**Professor's Background:** I have an MBA and a Ph. D. from the University of Minnesota in Minneapolis. My professional experience includes four years of public accounting at KPMG and ten years of full-time university teaching. My teaching and research focus on auditing, fraud detection and financial reporting.

**Grading and Evaluation Guidelines:** There will be two midsemester exams, a final exam, three cases and participation. The two midsemester exams and the final exam will be given on the dates indicated on the class schedule. The three cases will be handed out, and due, on the dates indicated. The points are as follow:

2 Midsemester Exams @ 150 points	300
Final Exam	150
3 Cases @ 75 points each	225
Participation	<u>50</u>
Total Points	<u>725</u>

The midsemester exams will cover the material from the previous weeks of class, and will be given from approximately 6:00 to 7:30 p.m., at the beginning of class. The midsemester exams will cover topics from the lectures, handouts, articles and homework problems covered during the previous weeks, as well as the assigned chapters in the textbook. The final exam is not comprehensive. The format of the midsemester exams and final exam includes multiple choice, matching, true/false, short essay and in the case of some topics (such as statistics), numerical problems. No notes or textbooks can be used during the midsemester exams or final exam.

The approximate grading percentages are as follow:

A-	90% (of total points)
B-	80%
C-	70%
D	60%

The cases will be due three weeks after they are handed out. You may turn in a case individually. Or, you may work in a group and turn in the case as a member of the group. Groups can be two students. The cases will involve using a computerized audit software package, Audit Command Language (ACL). By using ACL, you will be able to see how technology can be used in auditing. The case solutions must be typed. More specific suggestions will be included with each case.

Participation will include attendance, asking questions, answering questions, and contributing to class discussions. I may also call on students or groups of students to answer questions during class, and your responses are part of participation.

If you miss a midsemester exam, please contact me immediately. Make-up midsemester exams will be handled on an individual basis, and will be given before the next class session. If there are extenuating circumstances regarding taking a midsemester exam, please let me know.

If you miss a video, please let me know. I will try to arrange an alternative viewing time. The videos provide interesting “real world” examples of topics we will be discussing. In addition, the midsemester exams and final exam will include questions based on the videotapes.

**Enhancement Statement:** Classroom accommodations will be provided for qualified students with documented disabilities. Students are invited to contact the Enhancement Program—Disability Services about accommodations for this course within the first two weeks of the term. Telephone appointments are available to students as needed. Appointments can be made by calling 651-962-6315. You may also make an appointment in person in O’Shaughnessy Education Center, Room 119. For further information, you can locate the Enhancement Program on the web at <http://www.stthomas.edu/enhancementprog/>.

### Class Schedule

Class	Topic	Chapters	In-Class Homework
<b>February 2</b>	Administrative Details An Introduction to Assurance and Financial Statement Auditing	1	Handout for Chapter 1
	The Financial Statement Auditing Environment	2	Handout for Chapter 2
	<b>Video:</b> <i>ZZZZ Best</i>		
	<b>Articles:</b> “The Role of the Controller” “Auditors: The Lease Gets Shorter”		
	<b>Case #1 Handed Out</b>		
<b>February 9</b>	Risk Assessment and Materiality	3	Handout for Chapter 3 4-23, 4-24, 4-26, 4-27
	Audit Evidence and Audit Documentation	4	
	<b>Articles:</b> “Auditors’ Responsibility for Fraud Detection” “Official Releases: SAS No. 99”		
<b>February 16</b>	Professional Conduct, Independence and Quality Control	19	Handout for Chapter 19
	Legal Liability	20	Handout for Chapter 20
	<b>Video:</b> ESM Government Securities, Inc.		
	<b>Blackboard:</b> AICPA Professional Ethics on Independence Arthur Andersen Supreme Court Verdict		
<b>February 23</b>	Audit Planning and Types of Audit Tests	5	Handout for Chapter 5
	Internal Control in a Financial Statement Audit	6	Handout for Chapter 6
	<b>Articles:</b> “Protect Small Business” “Before the Deluge—and After”		
	<b>Blackboard:</b> COSO Enterprise Risk Management Framework Sarbanes-Oxley Act of 2002, Section 404		
	<b>Case # 1 Due</b>		
<b>March 2</b>	<b>First Midsemester Exam (Chapters 1, 2, 3, 4, 5, 6, 19 and 20)</b>		
	Auditing Internal Control over Financial Reporting	7	

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<b>March 9</b>	Auditing Internal Control over Financial Reporting	7	Handout for Chapter 7
	Reports on Audited Financial Statements	18	
<p><b>Article:</b> “Period of Adjustment”</p> <p><b>Blackboard:</b> PCAOB Auditing Standard No. 2 Summary of SEC Final Rule on Management’s Reports on Internal Control Over Financial Reporting</p> <p><b>Case #2 Handed Out</b></p>			
<b>March 16</b>	Reports on Audited Financial Statements	18	Handout for Chapter 18
	Audit Sampling: An Overview And Application to Tests of Controls	8	Handout for Chapter 8
<b>March 23</b>	<b>Spring Break—No Class</b>		
<b>March 30</b>	Audit Sampling: An Application Of Substantive Tests of Account Balances	9	Handout for Chapter 9
	Auditing the Revenue Process	10	Handout for Chapter 10
<b>April 6</b>	Auditing the Revenue Process	10	Handout for Chapter 10
	Auditing the Purchasing Process	11	Handout for Chapter 11
<p><b>Video:</b> Regina Vacuum Cleaner</p> <p><b>Article:</b> “The Case of the Pilfering Purchasing Manager”</p> <p><b>Case #2 Due</b></p>			
<b>April 13</b>	<b>Second Midsemester Exam (Chapters 7, 8, 9, 10, 11 and 18)</b>		
	Auditing the Inventory Management Process	13	
<p><b>Case #3 Handed Out</b></p>			

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<b>April 20</b>	Auditing the Inventory Management Process	13	Handout for Chapter 13
	Auditing the Financing Process	14	Handout for Chapter 14
	<b>Video:</b> Corporate Con (Inventory Scheme)		
	<b>Article:</b> “Ghost Goods: How to Spot Phantom Inventory”		
<b>April 27</b>	Auditing the Financial Process: Cash and Investments	16	Handout for Chapter 16
	<b>Article:</b> “Lapping It Up”		
<b>May 4</b>	Completing the Engagement	17	Handout for Chapter 17
	<b>Video:</b> Corporate Con (Cash Schemes)		
	<b>Case #3 Due</b>		
<b>May 11</b>	Forensic Accounting and Fraud Auditing		Handout for Forensic Accounting
	<b>Video:</b> Corporate Con (Purchasing Scheme)		
	<b>Article:</b> “Money Laundering: Ring Around the White Collar”		
	<b>Blackboard:</b> ACFE Report to the Nation on Occupational Fraud and Abuse		
<b>May 18</b>	<b>Final Exam (Chapters 13, 14, 16, 17 and Forensic Accounting)</b>		