

**THE DEVELOPMENT AND EVALUATION OF A TEAM-BASED AUDIT
SIMULATION IN THE INTRODUCTORY AUDITING COURSE**

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MOTIVATION

Leaders in both the academic and professional sectors of the accounting profession have been calling for a change in the way accounting students are educated for more than a decade (e.g., Bedford Committee, 1986; Big 8, 1989; AECC, 1990; IMA, 1994; AICPA, 1999). Recently, they jointly participated in issuing a statement, “Accounting education: Charting the course through a perilous future” (Albrecht and Sack, 2000) in which the authors echo the prior calls of the profession’s leaders in suggesting (among other things) that accounting educators need to change the way that courses are delivered. They write (p. 43), “Our rule-based, memorization, test-for-content, and prepare-for-certifying-exam educational model is inefficient, but more importantly, it does not prepare students for the ambiguous business world they will encounter upon graduation.” Instead, they suggest that educators focus on teaching students not only interpersonal and communication skills, but also, “how to find answers and how to learn” (p. 64). Inspired by the national recognition of the necessity of change in the accounting curriculum (as discussed above), we began to explore ways that we could improve the extant delivery of the introductory auditing course.

PRIOR RESEARCH

To our surprise, we found very little research focusing on the factors influencing audit education. However, in a recent study comparing students to auditors, Ferguson, et al (2000) find that students with internships in public accounting who also completed a traditional auditing course score marginally closer to practicing auditors than do students without internships in public accounting. This suggests the importance of linking classroom experiences to “practice reality” (c.f., Big 8, 1989; Albrecht and Sack 2000).

Unfortunately, however, it is not always possible for students to participate in public accounting internships – particularly in advance of taking Introductory Auditing. Moreover, because of competitive pressures in the profession, public accounting firms would prefer that new recruits who enter the profession require a minimum of on-the-job training (c.f., Earley 2001). To this end, evidence from colleagues in psychology suggests that individuals who work through a single, real-world problem can abstract the underlying features of the problem and transfer the knowledge when solving new problems (Zhu and Simon 1987; Chi, Bassok, et al 1989).

For the introductory auditing course, we decided that a simulation of an audit would not only address the calls for action from the leaders in our profession, but also provide an “activity whose rules tend to generate in the total behavior of the participants a model of some real world process” (Heyman 1975, 11), similar to the single, real-world problems utilized in the psychology literature. Moreover, by structuring the simulation as a team project and requiring students to present their findings in both written and oral form, we allow students to hone their interpersonal and communication skills.

DEVELOPMENT OF THE AUDIT SIMULATION

Using a team-based approach, the simulation is designed for use throughout the semester as a capstone learning experience for the student. Interestingly, by utilizing a team-based approach, the simulation allows the instructor to cover more audit content areas because the students learn not just from the instructor, but also from themselves and their teammates.

The course (and each assignment) begins with coverage of rudimentary topics (i.e., audit evidence, audit planning, audit program design, workpaper techniques, internal control evaluation and risk assessment). These topics are covered in a traditional approach that includes both lecture and discussion. Subsequent assignments involve the application of audit procedures to specific cycles and areas of the balance sheet and income statement. (Appendix A contains a detailed listing of the assignments.) These assignments are used to reinforce information in the textbook by requiring the students to perform specific audit procedures and analyze the resultant audit evidence, often applying knowledge from previous accounting courses (intermediate, advanced, tax). For example, in the “completing the audit” assignment, the audit teams must prepare an adjustment to record deferred income taxes and prior period adjustments for income tax related transactions that were incorrectly recorded by the client.

Students are divided into teams with a different team responsible for presenting each assignment. The student presentations consist of two parts: a meeting with the client (i.e., the instructor) and the actual presentation of the solution to the specific assignment. The meeting with the client provides the audit team with the opportunity to obtain additional information and to clarify information contained in the client-prepared schedules. After listening to the meeting between the presenting group and the client (the instructor), all of the teams work independently to complete the assignment. (Note that in order to increase constructive competitiveness and to prevent the students from divulging confidential client information to other teams, i.e., sharing solutions, we exempt from the final exam the one group with the highest final score on the simulation.) After all groups turn in their assignment, the team responsible for presenting the findings to the class then gives a thirty-minute professional presentation using appropriate audio and visual aids. Members of the presenting team are required to be prepared to answer any questions from the class and the instructor regarding their presentation.

EVALUATION OF THE AUDIT SIMULATION

The simulation has been tested at five institutions in New England state. Three of the universities are public and two are private. Students completed both a pre-and post-survey to assess their perceptions about the learning experience associated with the simulation as well as working in a team setting. (Copies of the two surveys appear in Appendix B). The data indicates that: 1) the students believe the simulation and teamwork experience helped them to improve their individual auditing knowledge; and 2) the students believe not only that the audit simulation was realistic, but that it will help them to “hit the ground running.”

ADAPTABILITY

The audit simulation is currently available from the publisher (details are available from the corresponding author upon request).

CONCLUSION

Because our introductory auditing simulation: 1) uses an innovative approach to address our profession’s calls for students to learn how to find answers and how to learn in ambiguous situations as well as to hone their interpersonal and communications skills (Bedford Report 1986; Big 8, 1989; AECC, 1990; IMA, 1994; AICPA, 1999; Albrecht and Sack, 2000); 2) has been successful where implemented; and 3) is easily adaptable by other schools, we believe that it makes an important and noteworthy contribution to accounting education in the new millennium.

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APPENDIX A
List of Assignments Contained in the Audit Simulation

INTRODUCTORY MATERIALS:

1. *Overview*
2. *The Auditors: West & Fair, CPAs LLC*
3. *Organizing & Starting The Audit*
4. *Working Paper Format and Technique*
5. *Tickmark Conventions*
6. *Workpaper Helpful Hints*
7. *Student Analyses and Presentations*
8. *Submitting Your Written Group Assignments*
9. *Timeline for the Audit*
10. *Audit Budget*
11. *Grading Guidelines*
12. *1998 Client Prepared Draft Financial Statements*
13. *1998 Client Prepared Working Trial Balance*

ASSIGNMENTS:

1. *Creating the Permanent File*
2. *Planning the Audit*
3. *Cash*
4. *Accounts Receivable and Sales*
5. *Inventory and Purchases*
6. *Long-Lived Assets*
7. *Liabilities*
8. *Stockholders' Equity and Final Accruals*
9. *Completing the Audit*

APPENDIX B (Continued)
Survey Given At the End of the Audit Simulation

1. Your name.....
2. Gender (circle one).....Female.....Male.....
3. How would you rate your personal learning experience from using this audit simulation?
1..... 2..... 3..... 4.....5
Poor learning experience Outstanding learning tool
4. Do you think that this audit simulation was like an actual audit experience?
1..... 2..... 3..... 4.....5
It wasn't like an audit It was like working on an audit
5. How would you rate the team experience in terms of your individual knowledge?
1..... 2..... 3..... 4.....5
Poor experience Excellent experience
6. How would you rate the team working experience?
1..... 2..... 3..... 4.....5
Poor experience Excellent experience
7. Please list any comments or suggestions regarding possible improvements to this simulation.....
.....
8. Please list any comments or suggestions regarding possible improvements to the group process
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