

## **Newsletter Contents**

Report of the President

PCAOB Standards Update

Auditing Standards Board Update

Current Issues in Auditing Update

Have You Seen?

Have You Seen These Educational Resources?

## Report of the President

Keith Jones



As I write my last presidential letter, I reflect on what an unexpected year we had with the pandemic and not being able to meet face-to-face at any conferences. While I certainly would have enjoyed seeing everyone in person during my year as president, I felt like we learned a lot during the pandemic and many of the things we learned will stick with us. For example, many of us have been doing online workshops. Workshop presenters frequently conclude that the feedback and feel of the online workshop is very similar to a face-to-face workshop and the online chat feature is an efficient way for participants to chime in with side commentary that does not disrupt the flow of the workshop. Similarly, we were able to hold online conferences during the pandemic that reached a wider audience than a face-to-face meeting without the time and expense of travel. While we look forward to seeing each other in person, we learned a lot about how to be more inclusive and flexible in the future.

I want to thank everyone serving in any capacity in the Section over this past year. Everyone who organized an event including the Annual Meeting, the Midyear Meeting, the Excellence in Audit Education Workshop, the Doctoral Consortium, and the Audit Educators' Bootcamp did an outstanding job. Each of these meetings transitioned seamlessly to an online platform. Witnessing everyone's hard work reminded me of how fantastic and collegial this section is. I really enjoyed working with each one of you.

I would like to thank you again for giving me the honor of serving as your president. As of August, Christine Earley will take over as president. Christine is a great person to lead the Section for the coming year. Her experience with the Section and enthusiastic approach is perfect for leading the transition out of the pandemic.

The AAA Office has been working hard on another virtual Annual Meeting. The theme for this year's meeting is "Be Courageous in the Midst of Challenge." Indeed, these have been challenging times, and you all have been courageous and resilient. The Annual Meeting Planning Committee, consisting of Marcy Shepardson, Rob Whited, Aaron Saiewitz, and Quinn Swanquist (Directors) and Josh Gunn, Ally Zimmerman, Lauren Reid, and Andrew Trotman (Vice Directors), have been working for months to put together an outstanding program for the Auditing Section. Please thank them for their commitment to the Section and its members. I look forward to interacting with many of you through the virtual platform. I also encourage you to attend the Section's virtual Block Party at the Annual Meeting on Monday, August 2<sup>nd</sup> from 6:00-7:30 EST.

## **2021 Audit Educators' Boot Camp**

The 2021 Audit Educators' Boot Camp was held virtually on June 11, 14, & 16. The Auditing Section is grateful for the support of Grant Thornton. The workshop was once again fully subscribed and the academics attending benefited from the participation of partners and managers from six firms who attended the sessions and provided their insights. Thank you to Frank Buckless, Christine Earley, and Jason Smith for their continued leadership in what I believe to be one of the best opportunities the Auditing Section provides each year.

## **2022 Auditing Section Midyear Meeting.**

Even though it is only June, planning for the 2022 Midyear Meeting has already begun. Lauren Cunningham, Sarah Stein, and Steve Perreault, Program Co-Chairs, are excited about the meeting venue. The 2022 Midyear Meeting will be held in Las Vegas, Nevada at the Sahara on January 13-15, 2022. Lauren, Sarah and Steve are working hard to make the meeting a great experience for all of us. At this point, we are planning for a fully face-to-face meeting. We are looking into the possibility of having a hybrid component for those that cannot attend in person. However, we highly encourage all those on the program to attend in person. A hybrid component will likely be for viewing and not interacting. Look for the upcoming calls for submissions and for volunteer opportunities. Please volunteer as a reviewer and take the time to provide thoughtful and valuable feedback to your colleagues on their research.

## **Auditing Section Presidential Transition**

The Annual Meeting is the time when the Section officers and other committee positions transition. Christine Earley, as incoming President, has completed the staffing of the Section committees, and the committee chairs will soon be busy planning their activities for the new academic year. The Executive Committee would like to thank all the volunteers who served on committees this past year, as well as those who have volunteered for the coming year. The Audit Section could not do all that it does without your generous and enthusiastic support.

I would like to personally thank Scott Vandervelde for serving as Vice President-Academic, President, and Past-President over the past three years. Scott has worked tirelessly and effectively on behalf of the Section and has provided me with significant guidance as he handed over the reigns to me. He accomplished a lot of great things during these three years that significantly benefit our membership. In addition, I would like to thank two more people whose terms are expiring. First, I would like to thank Tina Carpenter for keeping the Section on a sound financial footing in her role as Treasurer. Second, I want to thank Randy Elder for representing the Section so capably as our Council Representative. Please take the time to thank these individuals for their service. The Section will be in good hands this coming year as Chris Earley transitions into the role of President; Helen Brown Liburd continues as Secretary; Mark Taylor continues as Historian; and Chris Dinkel (PwC) continues as Vice President-Practice. New members of the Executive Committee include Allen Blay as Vice President-Academic, Emily Griffith as Treasurer, and Chad Simon as Council Representative. Our section has an impressive group of leaders on the Executive Committee each year. I am thrilled to be a part of it and to learn from their thoughtful approach.

As I close this letter, I want to say how impressed I am with this Section. It was certainly an unusual year to be president as we never got to meet in person. However, the Section carried on without a glitch. Everyone was eager to help transition to virtual meetings and to make the best of a difficult situation.

The level of creativity and thoughtfulness of the members of the Auditing Section continues to astound me. It has been my pleasure serving all of you. I look forward to another year of service as past president.

Thanks again to the many individuals who contribute to the mission of our Section. Enjoy the rest of your summer and I look forward to seeing you virtually in August!

Sincerely,

Keith Jones

# PCAOB Update

**Barbara Vanich, PCAOB Acting Chief Auditor**

**Elena Bozhkova, PCAOB Assistant Chief Auditor**

## Introduction

This Update addresses select Public Company Accounting Oversight Board (PCAOB) developments since the Spring 2021 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments include:

- New Standards Advisory Group and Nominations for It
- Staff Outlook for 2021 Inspections
- Cooperative Agreements
- Board Member Duane DesParte Elected IFIAR Chair
- Spotlight on Data and Technology Research Project
- Proposed Rule to Create Framework for HFCAA Determinations
- PCAOB 2020 Annual Report
- Settled Disciplinary Orders
- Changes in PCAOB Leadership

## PCAOB Developments

### New Standards Advisory Group and Nominations for It

On March 29, 2021, the PCAOB approved the formation of a new Standards Advisory Group (SAG) that includes stakeholders, such as investors, financial reporting personnel, academics, and audit professionals, to assist the Board in carrying out its standard-setting and other responsibilities under the Sarbanes-Oxley Act of 2002. The 18-person SAG will primarily conduct its business by carrying out specific tasks assigned by the Board.

The Board will select SAG Members based on nominations, including self-nominations, received.

The SAG charter and information about the nomination process are available at <https://pcaobus.org/about/advisory-groups/standards-advisory-group>.

### Staff Outlook for 2021 Inspections

On April 6, 2021, the PCAOB released a Spotlight publication, *Staff Outlook for 2021 Inspections*. The Spotlight provides an overview of the principal changes to inspections in 2021 and highlights important areas of planned focus.

The Spotlight is available at [https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/documents/staff-outlook-2021-inspections-spotlight.pdf?sfvrsn=6b415087\\_6](https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/documents/staff-outlook-2021-inspections-spotlight.pdf?sfvrsn=6b415087_6), as is a related

resource for audit committees at <https://pcaobus.org/documents/audit-committee-resource-2021-inspections-outlook.pdf>.

## **Cooperative Agreements**

In April 2021, the PCAOB announced that it had renewed its cooperative agreement with the Haut Conseil du Commissariat aux Comptes of France and reached a cooperative agreement with the Belgian Audit Oversight College. In addition to providing a framework for joint inspections, the agreements allow for the exchange of confidential information in accordance with applicable law.

The agreements are available at <https://pcaobus.org/oversight/international/regulatorycooperation>.

## **Board Member Duane DesParte Elected IFIAR Chair**

On April 21, 2021, the PCAOB announced that Board Member Duane M. DesParte was elected Chair of the International Forum of Independent Audit Regulators (IFIAR).

More information about the PCAOB's work with IFIAR is available at <https://pcaobus.org/oversight/international/the-international-forum-of-independent-audit-regulators-and-other-international-organizations>.

## **Spotlight on Data and Technology Research Project**

On May 6, 2021, the PCAOB released a Spotlight publication, *Data and Technology Research Project Update, May 2021*. The Spotlight was issued to provide transparency into the PCAOB's research project and share insights from the research and outreach activities during 2020.

The Spotlight is available at [https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/documents/data-and-technology-project-may-2021-spotlight.pdf?sfvrsn=b2b40f70\\_6](https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/documents/data-and-technology-project-may-2021-spotlight.pdf?sfvrsn=b2b40f70_6).

## **Proposed Rule to Create Framework for HFCAA Determinations**

On May 13, 2021, the PCAOB issued for public comment a proposed rule related to the PCAOB's responsibilities under the Holding Foreign Companies Accountable Act (HFCAA). The proposed rule provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether the Board is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

The Board requested public comment on the proposal by July 12, 2021.

The proposed rule and additional information are available at <https://pcaobus.org/about/rules-rulemaking/rulemaking-dockets/docket-048-proposed-rule-governing-board-determinations-under-holding-foreign-companies-accountable-act>.

## **PCAOB 2020 Annual Report**

On May 17, 2021, the PCAOB released its 2020 Annual Report. The report highlights key accomplishments and developments for the year, organized according to the five strategic goals set forth in the PCAOB's Strategic Plan. It also includes audited financial statements, a Financial Review, and Management's Report on Internal Control over Financial Reporting.

The report is available at [https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/about/administration/documents/annual\\_reports/2020-annual-report.pdf?sfvrsn=581231f1\\_5](https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/about/administration/documents/annual_reports/2020-annual-report.pdf?sfvrsn=581231f1_5).

## **Settled Disciplinary Orders**

The PCAOB posted several settled disciplinary orders.

Settled disciplinary orders are available at <https://pcaobus.org/Enforcement/Decisions/Pages/default.aspx>.

## **Changes in PCAOB Leadership**

On June 4, 2021, the U.S. Securities and Exchange Commission (SEC) announced that it had designated Board Member Duane M. DesParte to serve as Acting Chairperson and that it intends to seek candidates to fill all five board positions on the PCAOB.

More information is available in the SEC press release at <https://www.sec.gov/news/press-release/2021-93>.

# AICPA Auditing Standards Board Update

Audrey Gramling

Oklahoma State University and Auditing Standards Board Member

Since my last report in March 2021, the ASB has continued to meet virtually to work on new and ongoing projects. This report highlights the status of various ASB projects and other ASB developments.

## Recently Issued Standards

For current information and additional resources on recently issued Auditing and Attestation standards, go to <https://www.aicpa.org/interestareas/frc/auditattest/auditing-standards-information-and-resources.html>

- **Amendments Related to the Use of Specialists and the Use of Pricing Information Obtained from External Information Sources.** Statement on Auditing Standards (SAS) No. 144, *Amendments to AU-C sections 501, 540 and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained From External Information Sources*, was issued in June 2021, and is effective for audits of financial statements for periods ending on or after December 15, 2023.

This new standard provides additional guidance on auditing the fair value of financial instruments and has a particular focus on the use of pricing services. This standard also updates the standards on management's and auditors' use of specialists, which is becoming more common due to the growing complexity of today's financial reporting. You can find a one-page summary of this update at

[https://www.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/sas-144-at-a-glance.pdf?utm\\_source=mnl:cpald&utm\\_medium=email&utm\\_campaign=14Jun2021](https://www.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/sas-144-at-a-glance.pdf?utm_source=mnl:cpald&utm_medium=email&utm_campaign=14Jun2021)

## Other Issue Guidance on Digital Assets (including Blockchain and more)

Accounting faculty may be updating their courses to introduce the concept of digital assets. In May 2021, the AICPA published an updated *Practice Aid—Accounting for and Auditing of Digital Assets*. There are obviously unique challenges when auditing an organization that has or transacts with digital assets. This *Practice Aid* includes nonauthoritative guidance related to digital assets, including performing risk assessments, identifying related parties, and ensuring compliance with laws and regulations. The *Practice Aid* includes Appendix A, which has a link to *Blockchain Universal Glossary*. This guidance is further discussed in a recent *Journal of Accountancy* article (see <https://www.journalofaccountancy.com/news/2021/may/aicpa-cima-guidance-for-auditing-digital-assets.html>) that includes a link to the *Practice Aid*.

## Ongoing Projects

Topics discussed at the May 2021 ASB meeting included *Risk Assessment, Attestation Standards (Direct Review Engagements)*, and *Group Audits*. You can read the related materials at <https://www.aicpa.org/research/standards/auditattest/asb/202105-asb-meeting-agenda-materials.html>



- Risk Assessment. The Board continues its ongoing discussion of suggested further clarifications to its proposed SAS, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*. Look for a final standard to be issued sometime later in 2021.
- Attestation Standards-Direct Review Engagements. The ASB has been working on a broad initiative to give CPAs more flexibility in limited assurance engagements. The Board has already implemented standards in this area including Statements on Standards for Attestation Engagements (SSAE) No. 19, *Agreed-Upon Procedures Engagements* (issued in December 2019), SSAE No. 21, *Direct Examination Engagements* (issued in September 2020), and SSAE No. 22, *Review Engagements* (issued in December 2020).

One remaining limited assurance area where the ASB is considering the need for additional guidance is Direct Review Engagements. The ASB has requested that its Attestation Standards Task Force draft a consultation paper to obtain input about the extent to which existing attestation standards limit the ability of CPAs to perform engagements, such as Direct Review Engagements, in response to marketplace needs.

- Group Audits. The ASB has been following the work of the IAASB in this area. The ASB will likely issue a discussion draft document sometime during 2021.
- Possible Future Projects. The ASB has recently discussed a number of projects included Audits of Less Complex Entities, Fraud, Going Concern, and Third-Party Assessments. These are areas where the ASB may consider providing guidance at some future date. You can monitor the ASB's upcoming agendas at <https://www.aicpa.org/research/standards/auditattest/asb/asbmeetingmaterialsandhighlights.html>
- Other Ongoing Projects. The Board continues to work on a number of other projects. In March 2021, I reported that the Board had issued Exposure Drafts related to *Quality Management* and *Inquiries of the Predecessor Auditor*. The Board will continue with these projects once the comment periods have closed and the comment letters are analyzed.

## Other ASB Updates

As is typical at the May ASB meeting, we had a turnover in some Board members. You can see the latest list of ASB members at <https://www.aicpa.org/research/standards/auditattest/asb.html>. My term on the ASB ended in May 2021, and Greg Jenkins began his term as the academic member of the Board. I look forward to seeing all of the value that he will add to the ASB!

# **Current Issues in Auditing Update from the Co-editors**

**Denise Dickins, Ph.D., CPA, East Carolina University  
Keith Urtel, CPA, University of Notre Dame**

We continue to pursue *Current Issues in Auditing's* objective of "advancing the dialogue between academics and practitioners on current issues facing the auditing practice community." To achieve this objective, authors must be willing to submit their work to *CIIA* and practitioners must be willing to read *CIIA*.

## **Authors Must Be Willing to Submit their Work to CIIA**

We understand that many of us are focused on publishing in the top-ranked academic journals. Perhaps naively, we also believe most researchers want the results of their investigations to be read and used by practice.

To encourage academic submissions, reduce desk rejects, and decrease author frustration, we recently announced a new pre-submission screening option. Desk rejects are often the result of relevance-feedback solicited from partner-practitioners before submissions are advanced to the formal peer review process. We now invite author-teams uncertain about whether their studies are appropriate for *CIIA* to pre-submit a proposed title and short summary of their planned research project, or a practice-focused title and abstract of a previously published article, to the Academic Co-editor for pre-submission feedback ([dickinsd@ecu.edu](mailto:dickinsd@ecu.edu)). Feedback from a partner-practitioner will be provided within 14 days. There is no fee for pre-submissions.

## **Practitioners Must Be Willing to Read CIIA**

*CIIA* must publish articles that practitioners want to read. Studies must be rigorous, unbiased investigations of important practice matters, the results of which are communicated in an easy-to-understand way. Practitioners tell us they are particularly interested in studies that investigate new technologies (e.g., artificial intelligence, robotics, videoconferencing) used by companies, independent auditors, internal auditors, and fraud investigators.

We believe having representatives of practice-firms active in the review process increases their affinity for *CIIA*. Represented on *CIIA's* Editorial Board are BDO, Crowe, Deloitte, EY, Focal Point, KPMG, and PwC, and we are actively pursuing representatives from five additional auditing practice-related firms. All Editorial Board members are active participants in *CIIA's* review process.

On a related note, we are focused on diversity and inclusion in the accounting profession. In updating *CIIA's* Editorial Board, we actively pursued new members that:

- Had a track record of successfully publishing in quality academic journals (academic members only);
- Had a depth of understanding of auditing or related (information systems, technologies, internal control) topics;
- Improved the diversity of the Editorial Board.

We have also begun actively promoting recently published articles to the top audit and audit-related firms in the hope that they will broadly distribute links to future *CIIA* articles and issues. Because of our diversity and inclusion goals and timeliness of the topic, these efforts began with two recently published articles that concern diversity issues in public accounting (see <https://meridian.allenpress.com/cia/publish-ahead-of-print>).

We hope these efforts lead to additional, high-quality submissions that practitioners want to read. Your suggestions are welcome!

Denise & Keith

## **Have you Seen...?**

**Lindsay M. Andiola, Virginia Commonwealth University**

**Candice Hux, Northern Illinois University**

**Jenna J. Burke, University of Colorado Denver**

**'Collaborating with Competitors: How do Small Firm Accounting Associations and Networks Successfully Manage Cooperative Tensions?' by Kenneth Bill, Christie Hayne and Sarah Stein. *Contemporary Accounting Research* 38 (1): 546-485.**

Small accounting firms experience "coopetition" when they enter strategic alliances with other independent firms to form accounting associations and networks (AANs). Specifically, member firms of the AANs simultaneously *cooperate* for access to expertise and resources but *compete* against each other in the marketplace. Drawing on coopetition and interorganizational relationship (IOR) theory, the authors analyze data from 42 interviews of partners and AAN leadership about how they manage the coopetition paradox. The results suggest that transactional mechanisms (contractual agreements, organizational structure, and selection and monitoring processes) and relational mechanisms (trust, social ties, and reciprocity) are important in encouraging healthy cooperation and managing competition tension among member firms. The transactional mechanisms facilitate initial cooperation between members and provide a foundation for relational mechanisms to develop over time. Relational mechanisms then influence the governance of future cooperation, and transactional mechanisms can reinforce the cooperation as needed. Together, these mechanisms complement and mutually support the longevity of AANs. These results advance our understanding of the success of AANs (despite high IOR failure rates in other industries) and suggest ways to strengthen the relational mechanisms that contribute to the longevity of AANs.

**'The Effect of Auditor Litigation Risk on Clients' Access to Bank Debt: Evidence from a Quasi-experiment' by Mahfuz Chy, Gus De Franco and Barbara Su. *Journal of Accounting and Economics* 71 (1). doi: 10.1016/j.jacceco.2020.101354**

This study examines whether auditor litigation risk impacts client companies' access to private debt markets. Answering this question is enabled by the authors' use of an exogenous shock to auditor litigation risk (i.e., one that is unrelated to other factors that may affect the debt market). Specifically, the authors use changes to state-level common law liability, which captures variation in banks' ability to sue auditors. The authors build predictions where increased auditor litigation risk across this measure improves clients' audit and financial reporting quality, which can mitigate the agency costs of debt in several ways. Consistent with these predictions, the authors find that an increase in auditor litigation risk leads to an increase in clients' likelihood of receiving bank loans and the average amount of those bank loans. Additional analyses confirm this finding is driven through an increased audit and financial reporting quality mechanism. Overall, this study provides novel evidence on the effects of auditor litigation risk on client companies' access to debt financing.

**'The Importance of Quantifying Uncertainty: Examining the Effects of Quantitative Sensitivity Analysis and Audit Materiality Disclosures on Investors' Judgments and Decisions' by Aasmund Eilifsen, Erin Hamilton and William Messier. *Accounting, Organizations, and Society* 90: 101169.**

Given the inherent risk in measuring fair value, the FASB and IASB considered requiring a quantitative sensitivity analysis (QSA) for all Level 3 investments. However, concerns that such analysis could be confusing to investors resulted in standard setters requiring a purely *qualitative* sensitivity discussion. This study examines whether disclosure of audit materiality could help nonprofessional investors interpret a QSA. Using a 2 x 2 + 1 between-subjects design, the authors manipulate the level of uncertainty indicated by a QSA (low versus high sensitivity) and the materiality threshold disclosure (present versus absent). They also include a control condition for current practice where the sensitivity discussion is purely qualitative. Results show that investors judge the estimate as more reliable and are more willing to invest when the QSA is indicative of low sensitivity (estimate is relatively precise) versus high sensitivity (estimate is relatively imprecise), but only when the auditor's materiality threshold is disclosed. Additionally, investors perceive a qualitative sensitivity description as relatively uninformative and are less willing to invest versus when a QSA is provided. These findings contribute to the continued debate on what disclosures help investors' judgments and decisions surrounding complex financial reporting areas.

**'Do Auditors Accurately Predict Litigation and Reputation Consequences of Inaccurate Accounting Estimates?' by Christine Gimbar and Molly Mercer. *Contemporary Accounting Research* 38 (1): 276-301.**

This study investigates whether auditors accurately predict potential litigation and reputation consequences associated with inaccurate accounting estimates. Survey results of experienced auditors show that approximately half of the respondents consider potential litigation and reputation risks when making audit testing decisions and evaluating aggressive client estimates. To understand whether auditors accurately anticipate these risks, the authors conduct a three-part experiment. In Part 1, 805 mock jurors deliberating in 141 juries provide negligence verdicts; audit quality in the case materials is varied at two levels (low versus high). In Part 2, 77 members of the general public assess the auditor's reputation before and after reading a news article about the auditor litigation. In Part 3, 57 senior manager- and partner-level auditors review the same information provided to participants in Parts 1 and 2 and predict the percent of negligence verdicts and the effect of the news article on the auditor's reputation. Comparing the auditors' assessment with mock jurors reveals that auditors overestimate the likelihood of negligence verdicts, especially when audit quality is relatively high. Similarly, when compared to the general public's assessment, auditors overestimate the news article's negative effects on both the reputation of the audit profession and their firm's reputation. These findings are important because overestimation can lead to overauditing and audit inefficiencies.

**'Auditor Responses to Shareholder Activism' by Feng Guo, Chenxi Lin, Adi Masli and Michael Wilkins. *Contemporary Accounting Research* 38 (1): 63-95.**

This study examines the impact of shareholder activism against audit clients on audit outcomes. Shareholder activism is a powerful force on public company strategic and financial decision-making and audit firms have issued guidance on how clients should respond to these campaigns. The authors predict that public scrutiny associated with shareholder activism campaigns heightens auditors' reputation and litigation risk concerns. Supporting this logic, the authors find that activism targets are more likely to experience accounting-related lawsuits. The primary analysis examines several outcomes to conclude whether auditors react to these activist campaigns. Results demonstrate that activism targets pay higher audit fees and have higher-quality reporting (i.e., are more likely to receive adverse internal control

opinions and are more likely to receive first-time going concern opinions). Combined, these results suggest activism has both positive and negative consequences.

**Stuber, S. B., and C. E. Hogan. 2021. 'Do PCAOB Inspections Improve the Accuracy of Accounting Estimates?' by Sarah Stuber and Chris Hogan. *Journal of Accounting Research* 59 (1): 331-370.**

This study examines whether PCAOB inspection deficiencies related to the audit of estimates lead to more accurate financial statement estimates. The PCAOB's inspection process often results in the identification of deficiencies related to the audit of estimates. To link these deficiencies to a specific estimate, the authors focus on the allowance for loan loss estimates in the banking industry from 2006 to 2017. This setting is uniquely fitting as the accuracy of the allowance for loan losses estimate can be evaluated ex-post based on subsequent loan charge-offs. Findings suggest that allowance for loan losses estimates become less accurate and more conservative as the PCAOB identifies a greater proportion of related deficiencies. This result does not hold for private banks that do not have the same audit oversight. Overall, findings suggest a potential unintended consequence of the PCAOB inspection process, where auditors react with more conservative behavior to manage inspection risk.

## Have You Seen These Educational Resources?

Nate Cannon, Texas State University

Chad Simon, Utah State University

**'Blockchain and Bitcoin: Audit Implications of the Killer Bs' by Ryan Dunn, J. Gregory Jenkins and Mark Sheldon. *Issues in Accounting Education* 36 (1): 43–56.**

This case study centers on a sporting goods company that decides to start accepting Bitcoin payments and also make some investments in this cryptocurrency. It provides students with quick and useful summaries of both Bitcoin and blockchain and then asks students to perform audit-related tasks, such as identifying risks and associated assertions as they relate to cryptocurrencies, crafting auditing procedures to test risks related to this area, etc. Given the growing importance of educating students on cryptocurrencies and blockchain, this case study has the potential to benefit students as they begin to consider these issues.

**'Conducting a Physical Inventory of McIntyre Organics: Bringing Real-Life Experiences to the Classroom' by Michael Ozlanski and Suzanne Seymoure. *Journal of Accounting Education* 56: 100729.**

This is another case study resource that provides an experiential learning opportunity for students as they engage with risk identification and response in the area of physical inventory observation. Students determine which locations the audit team should target with testing and then use an interactive website that provides access to an audit simulation to perform inventory testing procedures. The case also provides critical thinking exercises that have the potential to generate engaging classroom discussions.

**'Digital Assets' by the EY Academic Resource Center (EYARC).**

In this five-part case developed by EYARC, students are asked to assume the role of an auditor for Digital Assets Inc., a company that transacts with cryptocurrency. The case covers the basics about blockchain and digital assets; accounting for cryptocurrencies; auditor's responsibilities and audit risk assessment regarding cryptocurrency transactions; use of public blockchain data; and how to use EY's audit tool, the EY Helix Blockchain Analyzer for Public Networks for Students, to audit the company's cryptocurrency portfolio. Access to EYARC is free, but requires registration. To set up access, send your name, school, the email you use to login to your school's network, and a link to your online faculty profile to [eyarc@ey.com](mailto:eyarc@ey.com).