Course: ACCTG 310  
Auditing

Fall 2009  
Brenda Roberts  
Ageno School of Business  
GOLDEN GATE UNIVERSITY

Contact Information  
Email: broberts@core-mark.com  
Telephone: (650) 589-9445  
Office Hours: by appointment

Important Dates:  
First Day of Class: October 12, 2008  
Last Day of Class: December 9, 2008  
Classes are held on Mondays and Wednesdays, 6:00pm – 8:20pm, in room TBA

1. Course Description  
Examines auditing theory and practice, emphasizing audit standards, audit evidence, internal controls, auditors’ reports and professional ethics, sampling, accountants’ liability, and audit programs.

2. Course Objectives  
This course provides a foundation in assurance, attestation, and auditing fundamentals for future auditing, financial, managerial, systems and tax professionals. The emphasis of this course is on conceptual, theoretical and practical aspects of auditing financial statements. Upon completion of this course, students will be able to apply professional auditing standards and appropriate audit and other procedures to auditing, assurance and attestation engagements. This will be demonstrated through:

- appropriate risk assessments of financial statement assertions;  
- thoughtful analysis of financial and non-financial data;  
- evaluations of internal controls, incorporating the additional management responsibilities required by The Sarbanes-Oxley Act of 2002 and AS5;  
- design of audit programs for financial statement audits, and  
- identification of some of the conditions that lead to frauds.

In addition, those students desiring a career in assurance services will have the essential background to continue their education by taking courses directed at specific aspects of assurance services such as internal, government, fraud and forensic auditing.

3. Required Materials  

The author’s website (www.mhhe.com/louwers3e) will provide up-to-date information as well as other learning resources. Included on this site are outlines of the chapters, PowerPoint presentations for each session, flashcards and quizzes, which may assist in your study. The
Apollo Shoes Case, the audit case study used in this course is included on this website.

BookStore:

To purchase course books and materials from eFollett, GGU's official online bookstore, go to www.ggu.bkstr.com/.

University Library


There are several databases available through the Golden Gate University Library for students to conduct research on various topics. Remote (off campus) access to the databases requires your last name and student ID# (located on the front of your ID card). Be sure to type in ALL 7 digits, including the starting 0. Example: 0123456.

4. Contacting the instructor

Brenda Roberts
(650) 589-9445; (510) 517-1067
broberts@core-mark.com

Eileen Buckley
(415) 999-5310
buckley.eileen@gmail.com

5. Course Requirements, Student Responsibilities, Evaluations

Course Requirements

This course and the textbook are designed to build on the lessons from each previous chapter; it is important to stay current with assignments. The homework assignments are intended to re-enforce the subject matter from the prior class session and are good aids in study for quizzes and tests. Please make the appropriate time allowances for preparing for each session. Being adequately prepared for each meeting is a key part of your responsibility in this course. The class format is one of active learning, rather than memorization.

Student Responsibilities:

1. Attendance and Participation

Auditing and accounting are business and communication disciplines. If you cannot convey the information you have obtained in an audit to your supervisors and to the auditee/client, your work is of little value. In class we will discuss auditing concepts and you are expected to participate in class discussions on a regular basis. Participation is a function of your willingness to share your ideas with the class in terms of both questions and answers. This is a participation grade – NOT an attendance grade. In order to participate, you must:

- Attend class
- Be prepared for the lesson
- Contribute to the class discussion
- Professionalism is an expectation

Participation

You must participate in the weekly discussion about the text, assigned readings and current events related to accounting and auditing. Your original thoughts and comments on the materials are essential to engaged and informative discussions. This would include commenting on an opinion offered by another student to enhance the discussion or make your own point of view.

To clarify – participation, for the purposes of the participation grade for this class, is not merely responding to a question, with a ‘yes’ or a ‘no’ answer. Participation means a verbal contribution to the discussion, the lessons and other current events relating to auditing. This is an important part of auditing – and it is a full expectation in the auditing profession – that all team members,
regardless of their level in the firm or organization will participate in discussions about audit findings, proposed audit adjustments, or other pertinent issues relating to the auditee client. And this expectation is not just for auditors. Nearly all business settings also require regular communications, whether this is feedback or an expression of opinion, based on an individual’s level of expertise. I have rarely attended a business meeting of any kind without some participation and contribution from all attendees. So, this expectation – that all class members will be a participatory group - is meant to create a ‘real-life’ simulation of the audit profession, and is a good means of practicing good communication skills.

**Professionalism** – Accounting and auditing are highly respected professions that provide a service to clients. This is true if you are an auditor or tax accountant hired by a client; or a controller, audit manager, managerial accountant. In these cases, your ‘client’ is the company for which you work. The only product you offer is quality, ethical professional services. I expect that you will conduct yourself in the classroom as you would at a business meeting with a client or with the management of your company. Your professionalism in the classroom means:

- When you have a job, it is your responsibility to fulfill all of the requirements of the job. It should be the same for this course. It is the responsibility of the students to meet the course requirements. It is not the responsibility of the instructor.

- Attendance and punctuality are minimum job requirements and should be no less in this classroom setting. Your regular participation in class discussions is required and will have an impact on your grade.

- Common courtesy to fellow student (co-workers) is essential. Over many years of work experience, I have seen even top performers dismissed or overlooked for promotions because they could not get along with their co-workers and project team. I expect you to respect your fellow students and your instructor.

**Evaluations**

You will receive an opportunity to evaluate the course and instructor at least once this term.

**6. Course Procedure**

You will have assigned reading for each class session. Although not required, it would be helpful to your understanding of the course topics, to read the chapters prior to class.

**Homework:**

Homework assignments are due the following week - each Monday before the start of the class session. For example, homework assignments for Chapter 1 and 2 (presented in class on October 12 and 14, respectively) are due before the start of class on Monday, October 18. I will only grade homework on whether you did or did not do the homework. The coursework includes numerous concepts and terminology that you may be facing for the first time. Each unit ‘builds’ on the concepts introduced in prior sessions. These assignments are meant to re-enforce these learning points. Students that keep up with the homework generally do better in the class overall. Points will be given for homework that is complete and turned in timely. I will subtract points for each week that the assignment is late (reduced 20% per week - maximum point reductions will be 50%). We will review most of these assignments in class, and I will provide solutions to all the homework assignments for you to use to self-grade yourself. The preferred method of submitting homework is through the use of the ‘Drop-Box’ feature of the website. You can also e-mail the assignment to me.

**Class participation:**

During this course, we will be discussing current events, related to the field of auditing (changes to regulatory requirements, auditing pronouncements, fraud schemes and scandals). It is expected that all students will participate in and contribute to the discussions and come prepared to contribute to this interactive learning. **This is a participation grade - not an attendance grade.** Students are advised to check the website frequently for updated assignments, to ensure that they are fully prepared for each class session.
Quizzes:
Several short, multiple choice, short-answer quizzes will be given throughout the course. These are meant to assess how well students are grasping the concepts and terminology of this course. These are worth 10 points each, and there is no make-up for quizzes. Quizzes may be scheduled or unscheduled (pop quiz), and will cover the material and course work up through the prior week.

Apollo Shoes Case Study:
Each student will participate in a group or team as a part of the Apollo Shoes Case Study. All assignments are submitted on a group basis, not individually. This simulates the real-life scenario of audit teams; all members are expected to work together. These assignments follow the sequences of a financial statement audit—the chapters in the textbook also introduce concepts and topics similar to the audit sequence. The individual assignments are described in more detail below. Grading for this case study is on a team basis, based on the assignments submitted throughout the course term. Additionally, each team member will be ‘grading’ his/her teammates, and will be a part of the overall grade for the team.

Mid-terms/Final Exams:
There will also be 2 mid-term exams and final comprehensive exam at the end of the course.

Other resources:
- Instructor-provided study guide for each chapter
- Textbook website - quizzes, chapter outlines, flashcards, etc.

7. Grading Policy

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<thead>
<tr>
<th>Grading Policy</th>
<th>Points</th>
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<tbody>
<tr>
<td>Class participation</td>
<td>35 points</td>
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<tr>
<td>Homework</td>
<td>40 points</td>
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<tr>
<td>Quizzes</td>
<td>50 points</td>
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<tr>
<td>Mid-Term Exam #1</td>
<td>50 points</td>
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<tr>
<td>Mid-Term Exam #2</td>
<td>50 points</td>
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<tr>
<td>Apollo Shoes Case Study</td>
<td>75 points</td>
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<td>Final exam</td>
<td>75 points</td>
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<td><strong>Total Points</strong></td>
<td><strong>375 points</strong></td>
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<th>Grading</th>
<th>Points</th>
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<td>A</td>
<td>375 - 335</td>
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<td>B</td>
<td>334 - 295</td>
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<td>C</td>
<td>294 - 263</td>
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<td>D</td>
<td>262 - 218</td>
</tr>
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<td>F</td>
<td>217 -</td>
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8. Academic Integrity Policy
GGU’s Policy on Student Academic Integrity is in effect at all GGU teaching locations, including regional classroom sites, corporate sites, and distance courses delivered in any medium. This policy applies to all business, taxation, and technology students at Golden Gate University.

Academic integrity means doing academic work in a manner that strives to achieve the learning objectives your courses have set out for you. It means that you follow the rules and procedures prescribed by your instructors so that you acquire the skills and knowledge your courses are designed to give you. It means that you engage in ethical practices in taking tests and doing assignments and that you respect intellectual property rights by fully disclosing sources of information that appear in your papers and presentations.

GGU provides many resources and services that assist you in learning the required
research and documentation skills. Please read GGU’s Policy on Student Academic Integrity: Policy on Student Academic Integrity

Cheating and Plagiarism
As students in a Masters program, it is expected that you have the maturity and accountability to act as responsible professionals. Cheating is simply not tolerated at Golden Gate – and especially so in an Auditing course, the foundations of which are focused on ethics and standards. Any incidents of questionable activities that point to cheating will result in the instructor requesting the student to leave the classroom and to not return unless specifically authorized by the Dean. A failed grade will be given for the assignment, quiz or exam. Do not let yourself be put into a situation where your integrity is questioned. Prior to quizzes and exams, place all books, papers and food items away from the desks alongside a classroom wall – out of reach of any students.

Plagiarism is the copying of others’ work. Blatant copying of answers for individual and group assignments could result in a failed grade for the assignment, which could affect the grading for the entire team or group and dismissal from the class.

Cheating is a serious offense – both for your academic and professional career. For instance, anyone caught cheating on a national exam, such as the CPA examination could lose the privilege of taking this exam again, limiting your future career choices. In the business world, cheating and using the work of others to get ahead is frowned upon and is grounds for immediate dismissal, with no references.

9. Disability Accommodations
Golden Gate University seeks to ensure that all programs and services are fully accessible to students with disabilities who identify and express their needs.

Information regarding The Americans with Disabilities Acts and GGU’s policies and services can be found at: http://www.ggu.edu/student_services/disability_services.

10. Instructor Bio
Brenda Roberts is a CPA, CIA, CFE, and also passed the CISA exam. Her public accounting experiences include working with KPMG, Deloitte and other local CPA firms, including Kimball, McKenna & von Kaschnitz (now – Armanino McKenna). In addition, she has worked as an internal auditor for the U.S. Department of Labor – Office of Inspector General, for the City & County of San Francisco – Controller’s Office, and for Safeway. She currently works for Core-Mark International, a convenience store distributor as an Internal Audit Manager. She is also the President of the Northern California East Bay Chapter of The IIA.

Eileen Buckley started her career as an auditor for KPMG where she passed the California CPA exam. She then worked as an investigative financial journalist and accounting issues reported for TheStreet.com, Wired and The industry Standard Magazine. After Congress passed Sarbanes-Oxley Act in 2002, Eileen implemented the law for many of Silicon Valley's best known companies, including Cisco Systems, Symantec, Adobe and eBay among others.

11. Course Outline

<table>
<thead>
<tr>
<th>Session</th>
<th>Topic</th>
<th>Assignment</th>
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<tbody>
<tr>
<td><strong>Session one</strong>&lt;br&gt;Oct. 12</td>
<td>Introduction to Auditing; Auditing and Assurance Services &amp; Other Services</td>
<td><strong>Chapter 1</strong>&lt;br&gt;1.1, 9, 10, 12, 23, 24, 25, 28, 30, 31, 38, 39, 40, 41</td>
</tr>
<tr>
<td><strong>Session two</strong>&lt;br&gt;Oct. 14</td>
<td>Professional Standards</td>
<td><strong>Chapter 2</strong>&lt;br&gt;2.2, 4, 7, 9, 10, 11, 14, 15, 16, 21, 22, 23, 25, 26, 27, 28, 29, 30, 33</td>
</tr>
</tbody>
</table>
| Session three  | Oct. 19 | Management Fraud & Audit Risk | **Chapter 3:**  
3.1, 4, 7, 8, 9, 10, 14, 15, 17, 19, 20, 21, 23, 24, 25, 27, 28, 29, 33, 35, 41, 42, 43 |
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</thead>
<tbody>
<tr>
<td>Session four</td>
<td>Oct. 21</td>
<td>Enron Video</td>
<td><strong>Enron Discussion Questions – for review</strong></td>
</tr>
</tbody>
</table>
| Session five   | Oct. 26| Engagement Planning           | **Chapter 4**  
4.2, 3, 5, 9, 10, 11, 13, 14, 15, 26, 27, 29, 30, 32, 41, 42, 43, 44, 45, 46 |
| Session six    | Oct. 28| **Mid-Term Exam #1**          | **Chapters 1 – 4**  
Teams to meet independently to review assignments. |
| Session seven  | Nov. 2 | Internal Control Evaluation   | **Chapter 5**  
5.1, 2, 3, 4, 6, 9, 10, 11, 19, 22, 23, 25, 28, 32, 33, 37, 38, 45, 46, 48, 49, 52, 54, 57, 60 |
| Session eight  | Nov. 4 | Employee Fraud & Cash         | **Chapter 6**  
6.1, 4, 5, 6, 9, 10, 15, 17, 18, 21, 24, 25, 26, 27, 32, 34, 36, 38, 40, 42, 42 |
| Session nine   | Nov. 9 | Overview of Sampling Attribute Sampling | **Module E; Module F:**  
E.10, 11, 14, 17, 18, 19, 20, 21, 22, 26, 27, 28, 41, 47  
F.1, 4, 6, 11, 12, 26, 27, 39, 47, 50 |
| Session ten    | Nov. 11| Acquisition & Expenditure Cycle | **Chapter 7**  
7.1, 2, 3, 4, 5, 6, 9, 10, 11, 12, 15, 16, 18, 19, 21, 22, 24, 28, 29, 30, 31, 32, 33, 39, 40, 42, 43, 44, 45, 48, 49, 50, 53 |
| Session eleven | Nov. 16| Production & Payroll Cycle    | **Chapter 8**  
8.1, 2, 3, 7, 8, 10, 11, 16, 23, 25, 26, 27, 29, 33, 34, 38 |
|                |        |                               | **Apollo Shoes 7 – 8.**                          |
|                |        |                               | **Apollo Shoes 9 – 10.**                         |
| Session twelve  
Nov. 18 | Mid-Term Exam #2  
Finance & Investment Cycle | Chapters 5 – 8  
Modules E, F  
Chapter 10  
10.2, 4, 5, 6, 9, 10, 13, 15, 16, 19, 22, 23, 24, 25, 27, 28, 29, 34, 35, 37, 39, 40, 43  
Apollo Shoes 11. |
| Session thirteen  
Nov. 30 | Completing the Audit  
Reports on Audited Financial Statements | Chapter 11  
11.1, 2, 5, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 22, 23, 24, 25, 26, 27, 28, 30, 32, 33, 34, 35, 36, 41, 43, 44, 45, 46  
Chapter 12  
12.1, 2, 3, 9, 10, 12, 14, 19, 20, 22, 26, 27, 29, 32, 33, 34, 36 |
| Session fourteen  
Dec. 2 | Team Meetings | Team Presentations  
Apollo Shoes 12 – 14. |
| Session fifteen  
Dec. 7 | Wrap up of Team Assignments | Team Presentations |
| Session sixteen  
Dec. 9 | Final Comprehensive Exam | Chapters 1 – 12; Modules E, F |

**Apollo Shoes Case Study**

Apollo Shoes, Inc. is an audit case designed to introduce you to the entire audit process, from planning the engagement to drafting the final report. You are asked to assume the role of a veteran of two-to-three “busy” seasons, "in-charging" for the first time.

All of the information for the case study is on-line at the textbook website at [www.mhhe.com/louwers3e](http://www.mhhe.com/louwers3e) and is sequential in nature. Begin with the first tab: Planning, and work through the documents/links in this tab in the order they are listed. Then move on to the next tab: Internal Control, and so on. Be sure to pay close attention to information disclosed early in the audit (for example, in the Board of Director's minutes) as it may play a role in subsequent audit work. Similarly, the bank cutoff statement in the cash work papers and invoices used for valuing inventory may be useful later in the search for unrecorded liabilities.
The following are the assignments for the Apollo Shoes case (see the session listing above, for due dates) and are to be turned in as a Team assignments.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Audit Phase</th>
<th>Reference</th>
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<tbody>
<tr>
<td><strong>Staffing Memo</strong> – the assignment of staff depends on the risk level of the client, the industry, whether specific knowledge and training is required, the prevalence of complex transactions, the size of the audit, the reporting requirements, etc.</td>
<td>Planning</td>
<td>Apollo Shoes page 4&lt;br&gt;Chapter 4</td>
</tr>
<tr>
<td><strong>Materiality Memo</strong> – this presents the amount or event that would make a difference to the readers of the financial statements.</td>
<td>Planning</td>
<td>Apollo Shoes page 44&lt;br&gt;Chapter 3</td>
</tr>
<tr>
<td><strong>SAS 99 Memo</strong> – Auditors must understand fraud, be able to assess the fraud risks and design tests to detect fraud that could have a material effect on the financial statements.</td>
<td>Planning</td>
<td>Apollo Shoes page 45, 57&lt;br&gt;Chapter 3</td>
</tr>
<tr>
<td><strong>Analytical Review</strong> – SAS 56. Auditors must perform analytical procedures at the beginning (and end) of every audit. The purpose of these tests is to identify potential problems areas so that audit work can be tailored and designed to avoid missing important events, transactions, etc.</td>
<td>Planning</td>
<td>Apollo Shoes page 43&lt;br&gt;Chapter 4</td>
</tr>
<tr>
<td><strong>Computer Controls</strong> – Auditors must identify the accounting applications that are computerized, the complexity of computer systems, and the effect on the audit.</td>
<td>Planning</td>
<td>Apollo Shoes page 46&lt;br&gt;Chapter 4</td>
</tr>
<tr>
<td><strong>Substantive Testing of Cash</strong> – Perform the basic steps in the testing of cash. See the Audit Programs for Cash at Appendix 6A.</td>
<td>Fieldwork</td>
<td>Apollo Shoes page 63&lt;br&gt;Chapter 6</td>
</tr>
<tr>
<td><strong>Revenue &amp; Collection Cycle</strong> – Testing of the Controls – Evaluate the results of testing of controls. See Audit Programs for Revenue at Appendix 7A and 7B.</td>
<td>Fieldwork</td>
<td>Apollo Shoes page 50, 58&lt;br&gt;Chapter 7</td>
</tr>
<tr>
<td><strong>Revenue Cycle</strong> – Substantive Testing – Perform the basic audit procedures in the revenue and collection cycle; evaluate results of confirmations, analytical procedures, analysis of bad debt reserve. See Audit Programs for Revenue at Appendix 7B.</td>
<td>Fieldwork</td>
<td>Apollo Shoes page 74&lt;br&gt;Chapter 7</td>
</tr>
<tr>
<td><strong>Acquisition &amp; Expenditure Cycle</strong> – Testing of Controls – Perform</td>
<td>Fieldwork</td>
<td>Apollo Shoes page 61</td>
</tr>
<tr>
<td>Step</td>
<td>Description</td>
<td>Phase</td>
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<tr>
<td>10</td>
<td>Acquisition &amp; Expenditure Cycle – Substantive Testing – Perform basic substantive audit steps, including search for unrecorded liabilities, analytical procedures, evaluation of accrued liabilities. See Audit Programs for Acquisitions and Expenditures at Appendix 8B.</td>
<td>Fieldwork</td>
</tr>
<tr>
<td>11</td>
<td>Substantive Testing of Inventory – Perform basic substantive audit steps, including inventory observation, inventory ratios, analysis of inventory reserves and allowances. See Audit Programs for Inventory at Appendix 9B.</td>
<td>Fieldwork</td>
</tr>
<tr>
<td>12</td>
<td>Subsequent Events Memo – This memo summarizes all significant audit issues identified after the balance sheet date. Use the information obtained from attorney letters, minutes and managers’ comments. Memo should comment on how these issues should be addressed in the financial statements or auditor’s report.</td>
<td>Finalizing the Audit</td>
</tr>
<tr>
<td>13</td>
<td>Proposed Adjustments and Scoresheet – Prepare a listing of the adjustments that Apollo Shoes should make, based on conclusions of audit testwork. This should relate only to areas of the audit covered by this case study (for instance, Fixed Assets were not covered in these assignments and should not be addressed in proposed audit adjustments).</td>
<td>Finalizing the Audit</td>
</tr>
<tr>
<td>14</td>
<td>Audit Report – draft an audit report appropriate to the findings identified during the audit.</td>
<td>Reporting</td>
</tr>
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