

12-63  
UWCC AP-10/30/12  
Info 12/4/12

### Undergraduate Distance Education Review Form

(Required for all courses taught by distance education for more than one-third of teaching contact hours.)

#### Existing and Special Topics Course

Course: ACCT 431/ACCT 531: Auditing

Instructor(s) of Record: Ronald WOAN, Seung Hwan KIM

Phone: x 77565 Email: ronwoan@iup.edu

#### Step Two: Departmental/Dean Approval

Recommendation:  Positive (The objectives of this course can be met via distance education)  
 Negative

[Signature] 10/25/2012  
Signature of Department Designee Date

Endorsed: [Signature] 10/25/2012  
Signature of College Dean Date

Forward form and supporting materials to Liberal Studies Office for consideration by the University-wide Undergraduate Curriculum Committee. Dual-level courses also require review by the University-wide Graduate Committee for graduate-level section.

#### Step Three: University-wide Undergraduate Curriculum Committee Approval

Recommendation:  Positive (The objectives of this course can be met via distance education)  
 Negative

Gail Sedquist Nov. 1, 2012  
Signature of Committee Co-Chair Date

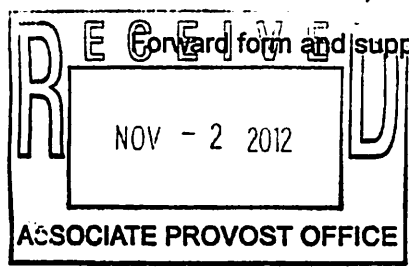
Forward form and supporting materials to the Provost within 30 calendar days after received by committee.

#### Step Four: Provost Approval

Approved as distance education course  Rejected as distance education course

[Signature] 11/2/12  
Signature of Provost Date

Forward form and supporting materials to Associate Provost.



Received OCT 31 2012 Liberal Studies  
Received OCT 29 2012 Liberal Studies

**Undergraduate Distance Education Review Form**  
(Required for all courses taught by distance education for more than one-third of teaching contact hours)

**Existing and Special Topics Course**

**Course: ACCT 431 Auditing**

**Instructor(s) of Record:**

**Ronald Woan, Ph.D. and Seung Hwan Kim, Ph.D.**

**Phone: 7-7565 (Woan) & 7-5742 (Kim)**

**Email: ronwoan@iup.edu (Woan) & seung.kim@iup.edu (Kim)**

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**Step One: Proposers**

A. Provide a brief narrative rationale for each of the items, A1- A5.

1. How is/are the instructor(s) qualified in the distance education delivery method as well as the discipline?

**Dr. Ronald Woan**

- Dr. Woan earned his Ph.D. in Accounting from accredited Florida State University
- In his twenty-one years at IUP, Dr. Woan has developed and taught several on-line and hybrid courses. These include ACCT 201 and ACCT 202. He has also extensively used *WebCT*, *Moodle* and *D2L* to supplement his brick-and-mortar Advanced Financial Accounting and Cost Accounting classes. Dr. Woan has used Pearson's *MyAccountingLab*, *MyLab/Mastering*, McGraw-Hill's *Connect Accounting*, *WebCT*, *Moodle* and *D2L* for course deliveries.
- Dr. Woan has taught Intermediate Accounting, Advanced Financial Accounting and other advanced accounting courses for many years. Dr. Woan participated in offering integrated business curricular courses using SAP (a well-known ERP software used by PASSHE)
- Dr. Woan is familiar and current with contemporary strategic-system audit and strategic-system financial statement analysis literature
- Dr. Woan has published academic research articles dealing with various accounting issues in refereed academic journals
- Dr. Woan is approved by the Graduate School for graduate instruction and is classified as being Academically Qualified according to the standards of the Association to Advance Collegiate Schools of Business.

**Dr. Seung Hwan Kim**

- Dr. Kim has received his master's and doctorate in accounting from Southern Illinois University Carbondale. His master's concentration was on audit and accounting information systems, and he wrote his dissertation on assurance services.
- Dr. Kim has taught auditing continuously from the beginning of his teaching career in 2008.
- Dr. Kim has experience with various online course delivery media (*WebCT*, *Blackboard*, Pearson's *MyAccountingLab*, and *D2L*).
- Dr. Kim is academically qualified by the standards of the Association to Advance Collegiate Schools of Business and is approved for graduate instruction by the Graduate School.

**How will each objective in the course be met using distance education technologies?**

**For all objectives;**

1. The instructor will develop and set-up all of the required learning resources on IUP's Learning Management System (LMS) and the textbook publisher's on-line learning electronic platform.
2. This on-line course will require students to purchase a selected textbook and the textbook's on-line access code so that they can complete on-line homeworks and other on-line assessments.
3. The on-line course will also use IUP's Learning Management System (LMS) to provide learning resources and assessments for students. These include course materials, quizzes, exams, assignments, video, and discussion board.
4. During the semester, the instructor will respond to student emails on a daily basis and will monitor the discussion board.
5. The LMS will display individual student grades so that students can monitor their cumulative grade as the semester progresses.

**Objectives**

1. To introduce the students to the auditing profession and its social, ethical and legal relationships.
  - To meet this objective, students should (preferably in this order):
    - i. Read the chapters in the text book
    - ii. Read through the power point slides provided on the LMS
    - iii. Complete an on-line homework assignments scheduled by the instructor. Students have three attempts to complete each question to gain a reasonable degree of assurance of learning the subject content
    - iv. Attempt a one-hour quiz, available on *MyLab/Mastering* to enhance and evaluate students' competency. Students will have two attempts with the higher score used for grading.
2. To discuss auditing standards and the conceptual basis underlying them
  - To meet this objective, students should (preferably in this order):
    - i. Read the chapters in the text book
    - ii. Read through the power point slides provided on the LMS
    - iii. Complete an on-line homework assignments scheduled by the instructor. Students have three attempts to complete each question to gain a reasonable degree of assurance of learning the subject content
    - iv. Attempt a one-hour quiz, available on *MyLab/Mastering* to enhance and evaluate students' competency. Students will have two attempts with the higher score used for grading.

3. To explain the general technology of auditing with emphasis on audit planning, study and evaluation of the internal control system through compliance tests, audit programs and working papers
  - To meet this objective, students should (preferably in this order):
    - i. Read the chapters in the textbook
    - ii. Read through the power point slides provided on the LMS.
    - iii. Complete an on-line homework assignments assigned by the instructors. Students have three attempts to complete each question to gain a reasonable degree of assurance of learning the subject content
    - iv. Attempt a one-hour quiz, available on *MyLab/Mastering* to enhance and evaluate students' competency. Students will have two attempts with the higher score used for grading.
  
4. To familiarize the students with the application of audit programs to various assets, liabilities, revenue and expense accounts through substantive tests of transactions and account balances
  - To meet this objective, students should (preferably in this order):
    - i. Read the chapters in the textbook
    - ii. Read through the power point slides provided on the LMS.
    - iii. Complete an on-line homework assignments assigned by the instructors. Students have three attempts to complete each question to gain a reasonable degree of assurance of learning the subject content
    - iv. Attempt a one-hour quiz, available on *MyLab/Mastering* to enhance and evaluate students' competency. Students will have two attempts with the higher score used for grading
    - v. Do two case studies to assure students' competency
  
5. To give the students a thorough knowledge of independent auditor's reporting obligations
  - To meet this objective, students should (preferably in this order):
    - i. Read the chapters in the textbook
    - ii. Read through the power point slides provided on the LMS.
    - iii. Complete an on-line homework assignments assigned by the instructors. Students have three attempts to complete each question to gain a reasonable degree of assurance of learning the subject content
    - iv. Attempt a one-hour quiz, available on *MyLab/Mastering* to enhance and evaluate students' competency. Students will have two attempts with the higher score used for grading.
    - v. Do two case studies and write reports for the studies to enhance students' writing skills

**3. How will instructor-student and student-student, if applicable, interaction take place?**

Instructor interaction with the students will occur on different levels and times throughout the course.

That is:

- i. At the beginning of the course, during the presentation of the syllabus, and overall orientation of the student to distance education.
- ii. During the course in the presentation of new materials and in response to general questions and comments raised by students.
- iii. Individualized assistance during scheduled online office hours.
- iv. Instructor participation via the discussion board.

Student-student interaction will take place via the discussion board and email.

**4. How will student achievement be evaluated?**

Student achievement will be determined by several criteria:

- a. On-line homework assignments. Software provided by the textbook publisher, e.g., *MyLab/Mastering*, will be used to assign homework and assist the instructor in scoring and monitoring the student's progress. The software enables students to attempt the homework up to three times and provides students with instant feedback on their responses. It also provides the students with the opportunity to work additional problems and check their answers. The highest score attained by a student counts towards his/her final grade.
- b. On-line quizzes. Several quizzes will be given on-line to allow the student to determine their competency of the course concepts. Students will be allowed two attempts. The quiz questions will be algorithmic thereby requiring students to work every question on each attempt. The higher score counts towards the student's final grade.
- c. Exams. Three ninety minutes on-line exams will be administered. Students have one attempt to complete the exam.

**5. How will academic honesty for tests and assignments be addressed?**

The course syllabus will detail the university's Academic Integrity Policy and it will be a part of the on-line orientation. Students will also be asked to acknowledge the receipt of this policy and their understanding of the consequence relating to academic dishonesty. Class assignments/quizzes/exams/reports will be designed, monitored and implemented in such a way as to reduce the student's opportunities to cheat or plagiarize. Examples would include:

- a. The allotted time and window for completing the quiz and exam will restrict each student's opportunities to seek external assistance.
- b. Quiz and exam questions will be algorithmic and scrambled.
- c. The ability to print quiz and exam questions and answers will be blocked.

Since the issue of academic honesty is of major concern in the delivery on distance learning courses, as new techniques are developed to reduce dishonest behavior, they will be incorporated into the course.

- B. Submit to the department or its curriculum committee the responses to items A1-A5, the current official syllabus of record, along with the instructor developed online version of the syllabus, and the sample lesson. This lesson should clearly demonstrate how the distance education instructional format adequately assists students to meet a course objective(s) using online or distance technology. It should relate to one concrete topic area indicated on the syllabus.**

*Appendix A: Current Syllabus of Record*

**Syllabus of Record – ACCT 431**

**ACCT 431 Auditing**

**Prerequisite: ACCT 304**

**3 lecture hours**

**3 credits**

**Catalog Description:**

**(3c-01-3cr)**

**Study of auditing theory and practical application of auditing standard and procedures to the review, testing and evaluation of accounting controls and to the verifications and balances to express an opinion in an audit report on the fairness of financial statements' presentation in conformity with generally accepted accounting principles.**

**Course objectives:**

- 1. To introduce the students to the auditing profession and its social, ethical and legal relationships.**
- 2. To discuss auditing standards and the conceptual basis underlying them.**
- 3. To explain the general technology of auditing with emphasis on audit planning, study and evaluation of the internal control system through compliance tests, audit programs and working papers.**
- 4. To familiarize the students with the application of audit programs to various assets, liabilities, revenue and expense accounts through substantive test of transactions and balances.**
- 5. To give the students a thorough knowledge of the independent auditor's reporting obligations.**

**Course content:**

- 1. Professional practice**
  - a. Definition of auditing according to various authoritative bodies**
  - b. Reasons underlying the demand for accounting and auditing services**
  - c. Characteristics of accounting and auditing as a profession**
  - d. Audit organizations**
- 2. Auditing theory and practice standards**
  - a. Theory structure**
  - b. General standards and the concepts and postulates underlying them**
  - c. Field work standards and the concepts and postulates underlying them**
  - d. Reporting standards and the concept and postulate of fairness**
- 3. Professional ethics**
  - a. Overview in ethics**
  - b. Principles in ethics**
  - c. The AICPA cod of professional ethics with special emphasis on the rules of conduct and Interpretations**

4. Legal relationships
  - a. Liability exposure in general
  - b. Legal relationships under common law
  - c. Legal relationships under statutory law with particular emphasis on the accountant's and auditor's liability provisions under the 1933 Securities Act and the 1934 Securities and Exchange Act
  - d. Impact of litigation on auditing standards
  - e. Typical court cases in common law and under the Securities Acts
  
5. Evidence, program planning, and documentation
  - a. Characteristics of sufficiency and competency of evidence in auditing
  - b. Sources and relative strengths of evidence
    - i. mathematical observation evidence
    - ii. physical observation evidence
    - iii. external evidence
    - iv. external-internal evidence
    - v. internal evidence
  - c. Evidence-gathering procedures
    - i. recalculation
    - ii. observation
    - iii. confirmation by letter
    - iv. verbal inquiry
    - v. vouching
    - vi. retracing
    - vii. scanning
    - viii. analysis of interrelationships
  - d. Practical audit objectives
    - i. existence-occurrence
    - ii. valuation
    - iii. cutoff
    - iv. accounting propriety and disclosure
    - v. compliance
    - vi. effectiveness
  - e. Planning an audit
  - f. Preparation of audit programs in the light of nature, time and extent of audit procedures to be followed
  - g. Working papers preparation and classification
    - i. permanent file papers
    - ii. audit administrative papers
    - iii. audit evidence papers
  
6. Internal control study, testing, and evaluation
  - a. Definition of internal control
  - b. Two dimensions of internal control
    - i. accounting controls
    - ii. administrative controls
  - c. Characteristics of reliable internal control
  - d. Study of internal control system
    - i. by questionnaire
    - ii. by flowcharting
    - iii. by working transactions through the system

- e. **Compliance tests and sampling for attributes**
    - i. the need for sampling
    - ii. judgmental sampling
    - iii. statistical sampling (determining sample size, sample item selection techniques, audit of sample items, and statistical evaluation of audit evidence)
  - f. **Evaluation of degree of reliance on the internal control system to determine the nature, timing, and extent to which substantive auditing procedures are to be restricted**
  - g. **Responsibility of the auditor for detection of fraud and irregularities**
  - h. **Management letters**
7. **Audit program application: Revenue, Receivables, Cash receipts, and Cash balances**
- a. **Substantive tests of transactions and balances**
  - b. **Types of major fraud and misstatement**
8. **Audit program application: Inventories, Cost of sales and Cash disbursements**
- a. **Substantives tests of transactions and balances**
  - b. **Types of major fraud and misstatement**
9. **Audit program application: Investments, Intangibles, and related income and expense**
- a. **Substantive tests of transactions and balances**
  - b. **Types of major fraud and misstatement**
10. **Audit program application: Fixed Assets**
- a. **Substantive tests of transactions and balances**
  - b. **Types of major fraud and misstatement**
11. **Audit program application: Liabilities, Owner's Equity, Contingencies and Related expenses**
- a. **Substantive tests of transactions and balances**
  - b. **Types of major fraud and misstatement**
12. **Audit program application: Audit of payroll, other revenue and expenses, and completion of field work**
- a. **Substantive tests of transactions and balances**
  - b. **Types of major fraud and misstatement**
  - c. **Events subsequent to the balance sheet date**
13. **Reports by independent auditors**
- a. **Long form reports**
  - b. **Short term reports**
  - c. **Unqualified opinion**
  - d. **Qualified opinion**
  - e. **Adverse opinion**
  - f. **Disclaimer of opinion**
  - g. **Reporting criteria with regard to:**
    - i. **reliance on the work of other independent auditors when giving an opinion on financial statements**
    - ii. **discovery of facts after an opinion on financial statements has been issued**
    - iii. **omission of the statement of changes in financial position**
    - iv. **special reports**
    - v. **letters for underwriters**



### **Example Grading Scale (%)**

A	=	90—100
B	=	80—89
C	=	70—79
D	=	60—69
F	=	Less than 60

### **Undergraduate Course Attendance Policy**

“The university expects all students to attend class.” Your attendance and participation in classroom activities is an important component in the overall learning environment and is therefore strongly encouraged. Although attendance is not mandatory, failure to attend classes will impair your level of performance on the chapter tests, exams, and your ability to complete the homework assignments and in-class exercises.

### **Required Textbook**

Arens, A., Elder, R. and M. Beasley (2012) *Auditing and Assurance Services*, 14<sup>th</sup> Edition, 2012; Prentice Hall

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### **Special Resource Requirements**

None

### **Bibliography**

*Appendix B: Proposed Distance Education Syllabus*

**Indiana University of Pennsylvania  
Proposed Syllabus  
ACCT431 Auditing**

**3c-01-3cr**

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<b>Instructor:</b>	Ronald Woan, Associate Professor
<b>Office:</b>	418F Eberly College of Business & Information Technology
<b>Phone:</b>	724-357-7565 (Office)
<b>E-Mail:</b>	ronwoan@iup.edu
<b>Office Hours:</b>	On-line office hours are between 10 am and 12pm from Monday to Saturday (EST). Student emails will be replied to within 24 hours of receipt.
<b>Class section:</b>	On-line
<b>Credits:</b>	3
<b>Prerequisite:</b>	ACCT 304
<b>Required Text:</b>	“Auditing and Assurance Services” by Arens, Elder and Beasley, 14 <sup>th</sup> Edition, 2012, Prentice Hall (including <i>MyLab/Mastering</i> access code)

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**CATALOG DESCRIPTION:**

Study of auditing theory and practical application of auditing standards and procedures to the review, testing and evaluation of accounting controls and to the verification of transactions and balances to express an opinion in an audit report on the fairness of financial statements' presentation in conformity with generally accepted accounting principles.

**Course objectives:**

1. To introduce the students to the auditing profession and its social, ethical and legal relationships.
2. To discuss auditing standards and the conceptual basis underlying them.
3. To explain the general technology of auditing with emphasis on audit planning, study and evaluation of the internal control system through compliance tests, audit programs and working papers.
4. To familiarize the students with the application of audit programs to various assets, liabilities, revenue and expense accounts through substantive test of transactions and balances.
5. To give the students a thorough knowledge of the independent auditor's reporting obligations.

**COURSE CONTENT:**

- Chapter 1 The demand for audit and other assurance services
- Chapter 2 The CPA profession
- Chapter 3 Audit reports
- Chapter 4 Professional ethics
- Chapter 5 Legal liability
- Chapter 6 Audit responsibilities and objectives
- Chapter 7 Audit evidence
- Chapter 8 Audit planning and analytical procedures
- Chapter 9 Materiality and risk
- Chapter 10 Section 404 audits internal control and control risk
- Chapter 11 Fraud Auditing
- Chapter 12 The impact of information technology on the audit process
- Chapter 13 Overall audit plan and audit program
- Chapter 14 Audit of the sales and collection cycle: tests of controls and substantive tests of transactions
- Chapter 15 Audit sampling for tests of controls and substantive tests of transactions
- Chapter 18 Audit of the Acquisition and Payment cycle
- Chapter 20 Audit of the Payroll and Personnel cycle
- Chapter 21 Audit of the Inventory and Warehousing cycle
- Chapter 22 Audit of the Capital Acquisition and Repayment cycle
- Chapter 23 Audit of the Cash Balances
- Chapter 24 Completing the Audit
- Chapter 25 Other Assurance Services

## Assessment Procedures

Success in this course is contingent upon each student being fully prepared for item of assessment. These include homework, quizzes, exams and cases. Readiness is enhanced by reading the textbook and practicing the end-of-chapter questions. Students are allowed three attempts for each homework question, two attempts for each quiz and one attempt for each exam. Only the highest score from multiple attempts (if allowed) counts towards the student's final grade.

Students will be required to respond to an instructor-led discussion, via the learning management system discussion board, to 3 to 5 of topics raised by the instructor. Each student will be required to respond to each of these questions on or before a certain date. They may also be asked to comment upon their classmates' responses. Discussion board comments will be monitored by the instructor and worth 5% of the overall assessment.

During exams, students are not permitted to seek the assistance from another person. Students are to complete the exams alone. Suggestions of student collusion will be thoroughly investigated and penalties might be imposed.

Your final course grade will be computed based on the following 100 percent.

	Percentage
On-line homework	5%
On-line discussion	5%
On-line quizzes	10%
Two case studies	20%
Exam I	20%
Exam II	20%
Final Exam	<u>20%</u>
Total	<u>100%</u>

To get an A, a student must earn 90% or higher of the total points, B, 80%-89%; C, 70%-79%, D, 60%-69. Below 60% is an F.

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## Homework and Quizzes

There are on-line homework and quizzes using Pearson's *MyLab/Mastering* to be completed on each chapter. The on-line homework is designed to enhance students' understanding of the accounting concepts through illustrative work-through problems; and quizzes are provided to enhance students' competency.

## Office Hours

The instructor's office hours are on-line only. They are shown on the first page of this syllabus. Student emails will be replied to within 24 hours of receipt during the week and 48 hours of receipt during weekends.

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## Grades

Your assessment scores will be regularly updated on D2L/ *MyLab/Mastering*. You can use this information to determine your approximate cumulative grade.

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## Final Comments

Accounting is not a spectator subject; it demands engagement and hands-on in order to assure learning to take place. The subject materials are cumulative, i.e., to comprehend current chapter subject materials entails the understanding of the prior chapters' materials. To achieve reasonable competency, students must work on the subject materials in a continuous manner.

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## Bibliography

- Albrecht, S., Albrecht, C., Albrecht, C., and M. Zimbelman (2012) *Fraud Examination*, 4<sup>th</sup> Edition  
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### Assessment Procedures

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During exams, students are not permitted to seek the assistance from another person. Students are to complete the exams alone. Suggestions of student collusion will be thoroughly investigated and penalties might be imposed.

Your final course grade will be computed based on the following 100 percent.

	Percentage
On-line homeworks	10%
On-line quizzes	10%
Two case studies	20%
Exam I	20%
Exam II	20%
Final Exam	<u>20%</u>
Total	<u>100%</u>

To get an A, a student must earn 90% or higher of the total points, B, 80%-89%; C, 70%-79%, D, 60%-69. Below 60% is an F.

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### Homeworks and Quizzes

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**ACCT431 via Distance Education****Class Schedule**

<b><u>Session</u></b>	<b>Topic</b>
1	Read Chapters 1 & 2. Complete the on-line homework and quizzes for these chapters
2	Read Chapters 3 & 4. Complete the on-line homework and quizzes for these chapters
3	Read chapters 4 & 5 Complete the on-line homework and quizzes for these chapters
3	Read chapters 6 & 7 Complete the on-line homework and quizzes for these chapters
4	Review Chapters 1-7 via completion of practice exam I
5	Exam I: Chapters 1-7 (120 minutes, one attempt)
6	Read Chapters 8 & 9. Complete the on-line homework and quizzes for these chapters
6	Read Chapters 10 & 11. Complete the on-line homework and quizzes for these chapters
7	Read Chapters 12 & 13. Complete the on-line homework and quizzes for these chapters
8	Read Chapters 14 & 15. Complete the on-line homework and quizzes for these chapters
8	Read Chapters 18 & 19. Complete the on-line homework and quizzes for these chapters
9	Read Chapters 20 & 21. Complete the on-line homework and quizzes for these chapters
10	Review Chapters 8-15 via completion of practice exam II
10	Exam II: Chapters 9-15 (120 minutes, one attempt)
11	Read Chapter 22. Complete the on-line homework and quiz for these chapters
12	Read Chapter 23. Complete the on-line homework and quiz for these chapters
13	Read Chapter 24. Complete the on-line homework and quiz for these chapters
13	Read Chapter 25. Complete the on-line homework and quiz for these chapters
14	Review Chapters 18-25 via completion of practice final exam
15	Final Exam: Chapters 18-25 (120 minutes, one attempt)



## **Appendix C: Sample of Power Point Slides**

# The Demand for Audit and Other Assurance Services

## Chapter 1

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## Sarbanes-Oxley Act

Enron
WorldCom

The Act established the Public Company Accounting Oversight Board.

It also requires auditors to report on the effectiveness of internal control over financial reporting.

Tyco
Adelphia

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## Learning Objective 1

Describe auditing.

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## Nature of Auditing

**Auditing** is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria.

Auditing should be done by a competent, independent person.

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## Information and Established Criteria

To do an audit, there must be information in a **verifiable form** and some standards (**criteria**) by which the auditor can evaluate the information.

FASB

Criteria

IASB

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## Accumulating Evidence and Evaluating Evidence

**Evidence** is any information used by the auditor to determine whether the information being audited is stated in accordance with the established criteria.

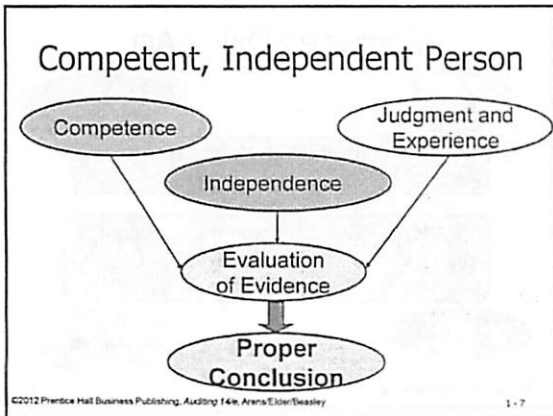
Transaction data

Written and electronic Communications with outsiders

Observations

Client inquiry

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### Audit Report

To the Board of Directors and Shareholders of ABC Corporation and Subsidiaries  
 We have audited the accompanying consolidated balance sheets of ABC Corporation and Subsidiaries (the "Company") as of December 31, 2010 and December 31, 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audit was conducted for the financial statement schedule listed in the index at page 17. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes reviewing, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

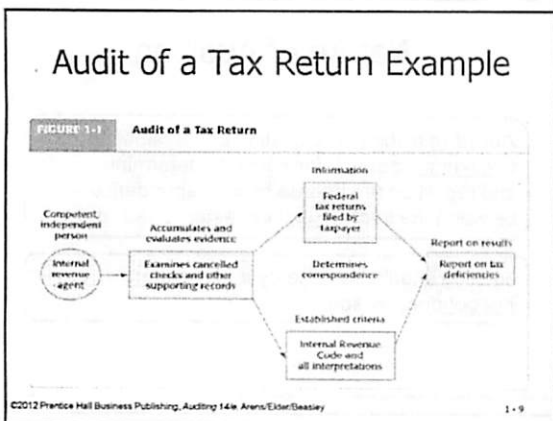
In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ABC Corporation and Subsidiaries as of December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements, taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2011, expressed an unqualified opinion on the Company's internal control over financial reporting.

INTERNATIONAL CPA FROM LLP  
 NEWARK, NJ  
 February 25, 2011

The final step communicates the findings to users.

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### Learning Objective 2

Distinguish between auditing and accounting.

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### Distinguish Between Auditing and Accounting

**Accounting** is the recording, classifying, and summarizing of economic events for the purpose of providing financial information used in decision making.

**Auditing** is determining whether recorded information properly reflects the economic events that occurred during the accounting period.

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### Learning Objective 3

Explain the importance of auditing in reducing information risk.

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## Economic Demand for Auditing

Demand Driver → Information risk

Auditing can have a significant effect on information risk.

What is meant by "Information risk"?

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## Learning Objective 4

List the causes of information risk, and explain how this risk may be reduced.

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## Causes of Information Risk

- Remoteness of information
- Biases and motives of the provider
- Voluminous data
- Complex exchange transactions

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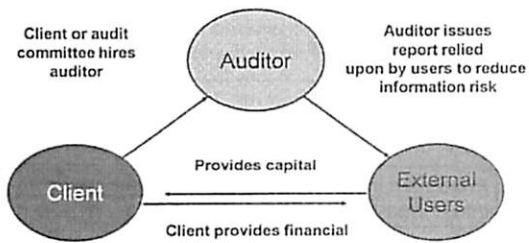
## Reducing Information Risk

- User verifies information
- User shares information risk with management
- Audited financial statements are provided

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## Relationships Among Auditors, Client, and External Users



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## Learning Objective 5

Describe assurance services and distinguish audit services from other assurance and non-assurance services provided by CPAs.

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## Assurance Services

An independent professional service

Can be performed by CPAs or by a variety of other professionals

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## Attestation Services

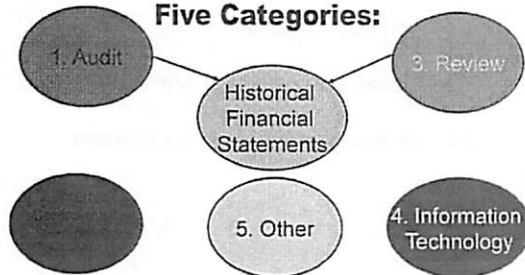
- A type of assurance service
- CPA reports on the reliability of an assertion
- That is the responsibility of another party.

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## Attestation Services

### Five Categories:



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## Attestation Services on Information Technology

*WebTrust* and *SysTrust* also meet the criteria of attestation service

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## Other Assurance Services

Most of the other assurance services that CPAs provide do not meet the formal definition of attestation services.

The CPA is not required to issue a written report.

The assurance does not have to be about the reliability of another party's assertion about compliance with specified criteria.

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## Green Initiatives Bring Assurance Opportunities, Competition

Global interest has triggered a surge in reports.

80% of the Global Fortune 250 released environmental, social, and governance data.

Presented in standalone reports or integrated into annual financial reports.

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## Other Assurance Services Examples

Assess risks of accumulation, distribution, and storage of digital information...

including

assessing security risks and related controls over data and other information stored electronically, including the adequacy of backup and off-site storage.

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## Other Assurance Services Examples

- Compliance with trading policies and procedures
- Compliance with entertainment royalty agreements
- ISO 900 certification
- Environmental audit

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## Assurance, Attestation, and Nonassurance Services

FIGURE 1.3 Relationships Among Assurance Services, Attestation Services, and Nonassurance Services



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## Learning Objective 6

Differentiate the three main types of audits.

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## Types of Audits

- Operational
- Compliance
- Financial Statement

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## Operational Audit

Example	Evaluate computerized payroll system for efficiency and effectiveness
Information	Number of records processed, costs of the department, and number of errors
Established Criteria	Company standards for efficiency and effectiveness in payroll department
Available Evidence	Error reports, payroll records, and payroll processing costs

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## Compliance Audit

Example	Determine whether bank requirements for loan continuation have been met
Information	Company records
Established Criteria	Loan agreement provisions
Available Evidence	Financial statements and calculations by the auditor

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## Audit of Historical Financial Statements

Example	Annual audit of Boeing's financial statements
Information	Boeing's financial statements
Established Criteria	Generally accepted accounting principles
Available Evidence	Documents, records, and outside sources of evidence

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## XBRL Electronic Data to Improve Financial Reporting

Extensible Business Reporting Language

Enables sorting and comparing of financial data

Public companies required to provide interactive financial statement data

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## Learning Objective 7

Identify the primary types of auditors.

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## Types of Auditors

- Independent certified public accounting firms
- Governmental general accounting office auditors
- Internal Revenue agents
- Internal auditors

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## Learning Objective 8

Describe the requirements for becoming a CPA.

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## Three Requirements for Becoming a CPA

- Educational requirement
- Uniform CPA examination requirement
- Experience requirement

## CPA Examination Sections

Auditing and Attestation

Financial Accounting And Reporting

Business Environment and Concepts

Regulation



## CBT-e: The CPA Exam Gets a Makeover

New content and skill specification outline revisions.

Exam structure changes and weighting of individual exam components.

Coverage of international auditing and financial reporting standards.

## Three Requirements for Becoming a CPA

FIGURE 1-4

### Three Requirements for Becoming a CPA

#### Educational Requirement

Typically, an undergraduate or graduate degree with a major in accounting, including a minimum number of accounting credits. Most states now require 150 semester credit hours (12½ quarter credits) for licensure plus a CPA. Some states require fewer credits before taking the examination but require 150 semester credits before receiving the CPA certificate.

#### Uniform CPA Examination Requirement

Computer-based examination offered at various testing centers. Examination sections are as follows:

- Auditing and Attestation – 3 hours
- Financial Accounting and Reporting – 4 hours
- Regulation – 3 hours
- Business Environment and Concepts – 3 hours

Some states also require a separate ethics examination.

#### Experience Requirement

Varies widely from no experience to 2 years, including auditing. Some states include experience working for governmental units or in internal auditing.

End of Chapter 1




## **Appendix D: Sample of On-line Homework**


Student: \_\_\_\_\_  
Date: \_\_\_\_\_  
Time: \_\_\_\_\_


Instructor: Ron Woan  
Course: ACCT 431 Auditing  
Book: Arens/Elder/Beasley: Auditing and Assurance Services, 14/E

Assignment: ACCT431 Homework—Chap 6N

1. The following are specific transaction-related audit objectives applied to the audit of cash disbursement transactions (a through f), management assertions about classes of transactions (1 through 5), and general transaction-related audit objectives (6 through 11).

 (Click the icon to view the specific transaction-related audit objectives.)

 (Click the icon to view the management assertions about classes of transactions.)

 (Click the icon to view the general transaction-related audit objectives.)

Read the requirements.

**Requirement a.** Explain the differences among management assertions about classes of transactions and events, general transaction-related audit objectives, and specific transaction-related audit objectives and their relationships to each other.

Management assertions are **business responsibilities provided implied or expressed representations** by management about the classes of

transactions and related accounts in the financial statements. These assertions are **different the same** for every

transaction cycle and account.

General transaction-related audit objectives are

**different than management assertions, and essentially the same as management assertions, but the same as the specific transaction-related audit objectives, and**

they are **expanded to help limited to assist** the auditor

decide which audit evidence is necessary to

**complete the audit under standard auditing procedures. express an unqualified opinion. satisfy the management assertions.**

Accuracy and posting and summarization are

**a subset of the accuracy assertion. examples of the specific transaction-related audit objectives. three of the management assertions used on the financial statements**

Specific transaction-related audit

objectives are **determined by the auditor for each** general transaction-related

**listed in management's report as an underlying objective to the**

<b>Student:</b> _____	<b>Instructor:</b> Ron Woan	<b>Assignment:</b> ACCT431 Homework–Chap
<b>Date:</b> _____	<b>Course:</b> ACCT 431 Auditing	<b>6N</b>
<b>Time:</b> _____	<b>Book:</b> Arens/Elder/Beasley: Auditing and Assurance Services, 14/E	

1.

(cont.)

audit objective. These are done for each transaction cycle to help the auditor  
the cycles identified as having a weakness  
the major classes of transactions

determine the disclosure  
general items  
specific amount of evidence needed for that cycle to satisfy the general transaction-related  
audit objectives.

Requirements b. and c. For each specific transaction-related audit objective, identify the appropriate management assertion, and appropriate general transaction-related audit objective.

Specific transaction- related audit objective	b. Management assertion	c. General transaction- related audit objective
a. Recorded cash disbursement transactions are for the amount of goods or services received and are correctly recorded.		
b. Cash disbursement transactions are properly included in the accounts payable master file and are correctly summarized.		
c. Recorded cash disbursements are for goods and services actually received.		
d. Cash disbursement transactions are properly classified.		
e. Existing cash disbursement transactions are recorded.		
f. Cash disbursement transactions are recorded on the correct dates.		

Data Table

**Student:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**Time:** \_\_\_\_\_

**Instructor:** Ron Woan  
**Course:** ACCT 431 Auditing  
**Book:** Arens/Elder/Beasley: Auditing and Assurance Services, 14/E

**Assignment:** ACCT431 Homework—Chap 6N

1.

(cont.)

**Specific Transaction-Related Audit Objective**

- a. Recorded cash disbursement transactions are for the amount of goods or services received and are correctly recorded.
- b. Cash disbursement transactions are properly included in the accounts payable master file and are correctly summarized.
- c. Recorded cash disbursements are for goods and services actually received.
- d. Cash disbursement transactions are properly classified.
- e. Existing cash disbursement transactions are recorded.
- f. Cash disbursement transactions are recorded on the correct dates.

More Info

---

**Management Assertion about Classes of Transactions**

- 1. Occurrence
- 2. Completeness
- 3. Accuracy
- 4. Classification
- 5. Cutoff

More Info

---

**General Transaction-Related Audit Objective**

- 6. Occurrence
- 7. Completeness
- 8. Accuracy
- 9. Posting and summarization
- 10. Classification
- 11. Timing

Requirements.

---

- a. Explain the differences among management assertions about classes of transactions and events, general transaction-related audit objectives, and specific transaction-related audit objectives and their relationships to each other.
  - b. For each specific transaction-related audit objective, identify the appropriate management assertion.
  - c. For each specific transaction-related audit objective, identify the appropriate general transaction-related audit objective.
-

Student: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Time: \_\_\_\_\_

Instructor: Ron Woan  
 Course: ACCT 431 Auditing  
 Book: Arens/Elder/Beasley: Auditing and Assurance Services, 14/E

Assignment: ACCT431 Homework–Chap 6N

2. The following are specific presentation and disclosure-related audit objectives applied to presentation and disclosure for fixed assets (a through d) and management assertions (1 through 4).



(Click on the icon to view the specific presentation and disclosure-related audit objectives.)



(Click on the icon to view the management assertion about presentation and disclosures.)

For each specific presentation and disclosure-related audit objective, identify the appropriate management assertion.

Specific presentation and disclosure-related audit objective	Management assertion
a. All required disclosures about fixed assets have been made.	
b. Footnote disclosures related to fixed assets are clear and understandable.	
c. Methods and useful lives disclosed for each category of fixed assets are accurate.	
d. Disclosed fixed asset dispositions have occurred.	

**More Info**

**Specific Presentation and Disclosure-Related Audit Objective**

- a. All required disclosures regarding fixed assets have been made.
- b. Footnote disclosures related to fixed assets are clear and understandable.
- c. Methods and useful lives disclosed for each category of fixed asset are accurate.
- d. Disclosed fixed asset dispositions have occurred.

**More Info**

**Management Assertion about Presentation and Disclosure**

- 1. Occurrence and rights and obligations
- 2. Completeness
- 3. Accuracy and valuation
- 4. Classification and understandability

Student: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Time: \_\_\_\_\_

Instructor: Ron Woan  
 Course: ACCT 431 Auditing  
 Book: Arens/Elder/Beasley: Auditing and Assurance Services, 14/E

Assignment: ACCT431 Homework--Chap 6N

1. implied or expressed representations the same essentially the same as management assertions but expanded to help satisfy the management assertions. a subset of the accuracy assertion. determined by the auditor for each each transaction cycle specific amount of evidence

Specific transaction-related audit objective	b. Management assertion	c. General transaction-related audit objective
a. Recorded cash disbursement transactions are for the amount of goods or services received and are correctly recorded.	Accuracy	Accuracy
b. Cash disbursement transactions are properly included in the accounts payable master file and are correctly summarized.	Accuracy	Posting and summarization
c. Recorded cash disbursements are for goods and services actually received.	Occurrence	Occurrence
d. Cash disbursement transactions are properly classified.	Classification	Classification
e. Existing cash disbursement transactions are recorded.	Completeness	Completeness
f. Cash disbursement transactions are recorded on the correct dates.	Cutoff	Timing

2.

Specific presentation and disclosure-related audit objective	Management assertion
a. All required disclosures about fixed assets have been made.	Completeness
b. Footnote disclosures related to fixed assets are clear and understandable.	Classification and understandability
c. Methods and useful lives disclosed for each category of fixed assets are accurate.	Accuracy and valuation
d. Disclosed fixed asset dispositions have occurred.	Occurrence and rights and obligations

## **Appendix E: Example of an On-line Quiz**

**Student:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**Time:** \_\_\_\_\_

**Instructor:** Ron Woan  
**Course:** ACCT 431 Auditing  
**Book:** Arens/Elder/Beasley: Auditing and Assurance Services, 14/E

**Assignment:** ACCT431 quiz—Chap 6N

1. Responsibility for the fair presentation of financial statements rests equally with management and the auditor.
- <sup>A</sup> True
- <sup>D</sup> False
- 
2. Which of the following is **not** one of the reasons that auditors provide only *reasonable* assurance on the financial statements?
- <sup>A</sup> Fraudulently prepared financial statements are often difficult to detect.
- <sup>D</sup> The auditor commonly examines a sample, rather than the entire population of transactions.
- <sup>V</sup> Accounting presentations contain complex estimates which involve uncertainty.
- <sup>U</sup> Auditors believe that reasonable assurance is sufficient in the vast majority of cases.
- 
3. The auditor has no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by errors or fraud, that are not \_\_\_\_\_ are detected.
- <sup>A</sup> identified by the client
- <sup>D</sup> statistically significant to the financial statements
- <sup>V</sup> material to the financial statements
- <sup>U</sup> important to the financial statements
- 
4. When comparing the auditor's responsibility for detecting employee fraud and for detecting errors, the profession has placed the responsibility:
- <sup>A</sup> on the senior auditor for detecting errors and on the manager for detecting employee fraud.
- <sup>D</sup> equally on discovering either one.
- <sup>V</sup> more on discovering errors than employee fraud.
- <sup>U</sup> more on discovering employee fraud than errors.
- 
5. When planning the audit, if the auditor has no reason to believe that illegal acts exist, the auditor should:
- <sup>A</sup> ignore the issue.
- <sup>D</sup> still include some audit procedures designed specifically to uncover illegalities.
- <sup>V</sup> include audit procedures which have a strong probability of detecting illegal acts.
- <sup>U</sup> make inquiries of management regarding their policies for detecting and preventing illegal acts and regarding their knowledge of violations, and then rely on normal audit procedures to detect errors, irregularities, and illegalities.



**Student:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**Time:** \_\_\_\_\_

**Instructor:** Ron Woan  
**Course:** ACCT 431 Auditing  
**Book:** Arens/Elder/Beasley: Auditing and  
Assurance Services, 14/E

**Assignment:** ACCT431 quiz--Chap 6N

6.

When the auditor knows that an illegal act has occurred, the auditor must:

- <sup>A</sup> report it to the proper governmental authorities.
- <sup>D</sup> consider the effects on the financial statements, including the adequacy of disclosure.
- <sup>V</sup> issue an adverse opinion.
- <sup>W</sup> withdraw from the engagement.

**Student:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**Time:** \_\_\_\_\_

**Instructor: Ron Woan**  
**Course: ACCT 431 Auditing**  
**Book: Arens/Elder/Beasley: Auditing and Assurance Services, 14/E**

**Assignment: ACCT431 quiz--Chap 6N**

1.        **B**

---

2.        **D**

---

3.        **C**

---

4.        **B**

---

5.        **D**

---

6.        **B**

---

## **Appendix F: Cases Studies**

Students are required to complete a report on each case study as follows.

### **Case Study I**

Analyze a case against ten Generally Accepted Auditing Standards (GAAS) and determine how each of the ten GAAS is met. (Worth 10%)

### **Case Study II**

Analyze a case on the whole audit process and evaluate whether or not each step of the audit process satisfies the technical standards of Statement of Auditing Standards (SAS). If any step of the audit process doesn't satisfy its pertinent SAS standard, what corrective action should be taken thereafter, or what should have been done for the step in the first instance. (Worth 10%)

These two case reports are graded not only on technical correctness of content but also on writing skill. Maximum two pages of 12 font single-spaced text are required of each case. Each case study comprises 10% of total points for the class. For each case report, 60% of the points are allotted to content and 40% to writing skill.