

**University of Florida**  
**Fisher School of Accounting**

**AUDITING I**  
Accounting 5637  
Spring 2018 – Module 3

4:05 – 6:00 PM Tuesdays and Thursdays, 121 Gerson Hall

Professor: Michael A. Ricci  
Office: 331 Gerson Hall  
Telephone: (352) 273-0223  
Office Hours: 2:00 to 4:00 PM Thursdays, and by appointment, with additional hours as announced in class  
E-mail: michael.ricci@warrington.ufl.edu  
Web site: [elearning.ufl.edu](http://elearning.ufl.edu)

The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

**Catalog Description:** Concepts and theory underlying the audit of third party assertions. Coverage includes the audit environment, risk assessment, evidential search and evaluation, internal controls, audit programs and audit reporting.

**Prerequisites:** ACG 4111 & ACG 4341 with minimum grades of C, and AC standing (enforced by the FSOA administration).

**Course Objectives:** This course is designed to provide you with a conceptual understanding of financial statement auditing. One goal is for you to develop your professional skepticism by becoming critical readers and users of information. Additionally, you will gain an understanding of the regulatory environment in which auditors work. We will spend most of the course learning about the process of performing an audit and discovering how the various accounting processes are audited. We will cover the reporting options auditors can use to signal the quality of financial statement information to financial statement users. The material we will cover will assist you in preparing for the Auditing Section of the CPA Exam; however, we do not have time to cover all topics that might appear on the exam.

**Required Textbook:** Knechel, W. R., and S. E. Salterio. *Auditing Assurance and Risk*. Fourth Edition. New York: Routledge, 2017 (ISBN 978-1-138-69279-4)

**Course Requirements and Grading:**

1. **Grades:** Final grades will be based on obtaining the following percentage of total course points: 93-100% = A; 90-92% = A-; 87-89% = B+; 83-86% = B; 80-82% = B-; 77 -79% = C+; 73-76%= C; 70-72% = C-; 67-69% = D+; 63-66% = D; 60-62%=D-; 0-59%=E. Required percentages may be reduced based on a course curve.

The grade-point value per credit hour associated with each letter grade is assigned by the Office of the University Registrar: A = 4.0, A- = 3.67, B+ = 3.33, B = 3.0, B- = 2.67, C+ = 2.33, C = 2.0, C- = 1.67, D+ 1.33, D = 1.0, D- = .67, E = 0.0. For more information visit: <https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>

Points will be assigned according to the following breakdown:

Midterm Exam	125
Final Exam	125
Projects	75
Quizzes	40
Professionalism	<u>20</u>
Total points	<u>385</u>

- 2. Assignments:** In general, absences do not affect the due dates for class assignments. If you expect to miss a class in which an assignment is due, you must deliver the assignment early to my office or via email to receive credit.

**Projects:** You will complete two projects, an analytical procedures project and a sales cycle project. The analytical procedures project contains two parts: (a) an individual assignment that will be due at the beginning of class on the day of the project (b) a group assignment that will be completed in class. The sales cycle project is a comprehensive project related to the sales cycle and requires analysis that you will conduct outside of class in groups of about three (under no circumstances may the groups be larger than four and you may not work alone). You will choose your team members for this project. You are expected to resolve any group problems on your own.

You may find that teamwork is somewhat inefficient at first, so plan accordingly. The importance of the ability to work efficiently and effectively in groups is one reason these assignments are made to groups, not individuals. Working in teams is a skill that employers value highly and it is a skill you will use throughout your career. One goal of these team projects is for you to start learning to manage conflicts about schedules, personalities, etc.

The dates on which you will hand in projects are shaded. All projects must be handed in at the beginning of the class. Late projects will not be accepted. You should bring an extra copy of your project to reference during class discussion.

**Homework and Suggested Problems:** Your printed text does not include “end of chapter” problems. However, for each chapter, I will post Homework Problems and Suggested Problems on Canvas. The problems I post will reinforce important course concepts. I encourage you to learn from each other by working together on Homework and Suggested problems. I will not collect either Homework or Suggested Problems.

You are strongly encouraged to do the items labeled “Homework” as soon as we finish a chapter. Generally, we will go over the Homework Problems in class. Quizzes will be related to the Homework Problems and class discussion.

The items labeled “Suggested” are additional problems that you should do to enhance your understanding of the material. Generally, we will not discuss the Suggested Problems in class. I will post solutions to all of the Homework and Suggested Problems on Canvas.

I strongly encourage you to attempt the problems on your own before looking at the solutions. It is very easy to develop a false sense of security about your knowledge if you look at the solutions without first really trying to solve the problems. Under these circumstances, you will likely (and often incorrectly) think that with enough time you could have come up with the solution.

**Quizzes:** I will give two quizzes during the module. This course requires consistent preparation in order to be successful and quizzes are intended to provide an incentive to stay up to date between exams. Quizzes are worth 20 points each. Quizzes will be composed of multiple choice questions or problems depending on the material we have covered at the time of the quiz.

**Exams:** I will give a midterm and final exam. Exams are worth 125 points each. Exams will contain a mix of multiple choice questions, problems, short answer questions, and essay questions.

**Professionalism:** Professionals arrive on time for meetings, give meetings their full attention (i.e., they do not text, surf the web, send or read email, or engage in any other distracting activity), engage with their colleagues on important topics, and communicate in appropriate ways. I expect that you will behave in a professional manner in this class.

- This means that I expect you to be in your seat ready to learn when class begins. Do not make a habit of coming late; it is disruptive to me and your classmates.
- I expect that you will attend class. I do not excuse absences, but I do appreciate being told in advance if you know you will miss a class. If you do have to miss a class, you are responsible for the material covered that day.
- I expect that you will give class your **full** attention.
- I expect that you will participate in “break-out discussions” that we will regularly have during class.
- Finally, I expect that your email and any other communication in or out of class with me or your colleagues will be conducted in a professional manner. This means that emails should include an appropriate address (i.e., Hello Professor Ricci, etc.) and a signature. Additionally, email should be written using complete sentences.
- There are 20 points awarded for professionalism. Everyone will start with 20 points and I expect that the vast majority of you will retain all of these points. I will deduct 4 points from your professionalism score for each instance of unprofessional behavior in or out of class (i.e., texting during class or break-out discussions, being late or absent, etc.). However, I understand that illness and other unexpected events do

come up so everyone gets two “free” absences or late arrivals. There is **no lower limit** on this score; if you arrive late 6 times and are never absent, your professionalism score will be -4 points ( $20 - 4*6$ ).

- 3. Exam Review:** I will set aside substantial class time for you to review your midterm exam with your books and notes. Additionally, you will write up any grading appeals during this class time. I encourage you to make good use of this time to try to learn from your mistakes. Note that if you choose not to attend class on the exam review day, you will not be able to review your exam during office hours. Office hours are used for answering questions about current material or discussing other course issues.
- 4. Class Format:** Generally, I will lecture on the topic of the day and then we will move on to homework or other problems. However, I prefer the lecture and problem analysis to be more of a conversation so I expect considerable discussion. To get the most out of the course, you must be prepared for discussion every day. You should come to class with questions about material you did not understand. I expect that you will actively ask questions in class. Formulating good questions, listening, and observing are the essence of auditing! To promote class discussion, we will regularly have “break-out discussions” during class. I will form “break-out groups” of 3-4 students seated near each other. During a break-out discussion, I will ask groups to talk about a topic, question, or issue and then to report back to the class.

**Make-ups:** Generally, I do not give make-up exams or quizzes. However, a make-up may be given when the student has a valid verifiable reason (in my judgment) for not taking the exam/quiz during the scheduled time. Barring a documented emergency, the request must be made a minimum of **ten days** prior to the scheduled exam/quiz. In the case of an emergency, you should notify me as soon as possible (and before the time of the scheduled exam/quiz). Failure to follow this policy will result in a zero score.

Exceptions are made if this policy conflicts with UF attendance requirements. More detail UF policies on attendance are found at:

<https://catalog.ufl.edu/ugrad/current/regulations/info/attendance.aspx>

- 5. Honesty:** Academic dishonesty will not be tolerated. Students are required to know and comply with the university’s policy on academic honesty. This policy is detailed in the Undergraduate Catalog and by reference is included in this course syllabus. For more information visit: <https://sccr.dso.ufl.edu/process/honor-code/>

I take your academic integrity very seriously. Auditing is a profession that requires the highest standards of ethical conduct. If you have any question about whether your actions constitute academic dishonesty, you should ask me for guidance before acting.

- 6. Additional Attendance Policies:** Students may not attend a class unless they are officially registered for the course. The Fisher School of Accounting does not approve requests to audit its courses. Students who do not attend at least one of the first two class meetings of a course in which they are registered, and who have not contacted the School to indicate their intent, may be dropped from the course. The instructor adheres to all UF attendance policies.

- 7. Civility:** This course will be conducted in a courteous and professional manner. Inappropriate classroom behavior of any form will not be tolerated. At the instructor's discretion, students acting in an uncivil manner will receive a grade reduction commensurate with the infraction. Students can be withdrawn from the course for excessive unacceptable behavior.
- 8. Disability Accommodations:** If you require a disability accommodation, please talk with me **as soon as possible**. Students requesting accommodations must first register with the Dean of Students Office. Support services for students with disabilities are coordinated by the [Disability Resource Center](#) in the [Dean of Students Office](#). All support services provided for University of Florida students are individualized to meet the needs of students with disabilities. To obtain individual support services, each student must meet with one of the support coordinators in the Disability Resources Program and collaboratively develop appropriate support strategies. Appropriate documentation regarding the student's disability is necessary to obtain any reasonable accommodation or support service. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the instructor a minimum of **ten days** prior to the requested accommodation.
- 9. Evaluations:** Students are expected to provide feedback on the quality of instruction in this course based on 10 criteria. These evaluations are conducted online at <https://evaluations.ufl.edu> Evaluations are typically open during the last two or three weeks of the semester, but students will be given specific times when they are open. Summary results of these assessments are available to students at <https://evaluations.ufl.edu/results/>
- 10. U Matter, We Care:** Your well-being is important to the University of Florida. The U Matter, We Care initiative is committed to creating a culture of care on our campus by encouraging members of our community to look out for one another and to reach out for help if a member of our community is in need. If you or a friend is in distress, please contact [umatter@ufl.edu](mailto:umatter@ufl.edu) so that the U Matter, We Care Team can reach out to the student in distress. A nighttime and weekend crisis counselor is available by phone at 352-392-1575. The U Matter, We Care Team can help connect students to the many other helping resources available including, but not limited to, Victim Advocates, Housing staff, and the Counseling and Wellness Center. Please remember that asking for help is a sign of strength. In case of emergency, call 9-1-1.

## CLASS ASSIGNMENTS

Note that I reserve the right to modify this schedule as needed.

<b>1/9</b>	Topic:	<b>Course Introduction</b> <b>What is Auditing? Demand for Audits</b>
	Read:	This syllabus! Ch. 1 p. 2-18, 22-23 (Note: All chapter references are to Knechel and Salterio)
<b>1/11</b>	Topic:	<b>Auditor Responsibilities</b> <b>The General Standards</b>
	Read:	Ch. 2 p. 30-32, 42-52 Ch. 3 p. 59-60, 80-84 Ch. 4 p. 114-119
<b>1/16</b>	Topic:	<b>Management Assertions</b>
	Read:	Ch. 3 p. 61-66
<b>1/18</b>	Topic:	<b>QUIZ #1</b> <b>Audit Planning and Analytical Procedures</b>
	Read:	Chapter 4 p. 90-114 and Ch. 9 p. 281-293
<b>1/23</b>	Topic:	<b>Audit Evidence</b>
	Read:	Ch. 3 p. 72-78
<b>1/25</b>	Topic:	<b>The Concept of Materiality</b> <b>Analytical Procedures Project</b> <b>(Part A due at the beginning of class)</b>
	Read:	Ch. 3 p. 66-72, 79 and Ch. 10 p. 329-334
<b>1/30</b>	Topic:	<b>MIDTERM EXAM</b>
<b>2/1</b>	Topic:	<b>Bigger Than Enron (Frontline Documentary)</b>
<b>2/6</b>	Topic:	<b>The Audit Risk Model</b>
	Read:	Ch. 10 p. 322-329
	Exam Review:	<b>Review Midterm Exam</b> (any grade appeals are due at the end of class)
<b>2/8</b>	Topic:	<b>Internal Control and Control Risk</b>
	Read:	Ch. 6 p. 181-188 Ch. 7 p. 197-222 Ch. 8 p. 243-244 and 261-270
<b>2/13</b>	Topic:	<b>QUIZ #2</b> <b>Audit Testing &amp; Intro to the Sales Cycle</b>
	Read:	Ch. 11 p. 356-366

<b>2/15</b>	Topic:	<b>Auditing the Sales Cycle – Controls Testing</b>
	Read:	Ch. 11 p. 366-378
<b>2/20</b>	Topic:	<b>Auditing the Sales Cycle – Substantive Testing</b>
	Read:	Ch. 11 p. 378-390
<b>2/22</b>	Topic:	<b>Sales Cycle Project due at the beginning of class</b>
<b>2/27</b>	Topic:	<b>FINAL EXAM</b>