

ACG 6691
Issues in International Audit
(Spring 2018, Module III)

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Purpose: This course will introduce students to the challenges of auditing global organizations subject to a large range of country-specific and international regulatory and standard setting structures. The objective is to prepare students to effectively address audit issues arising from a multinational and international perspective.

Class Schedule: There is one section scheduled for this course.

Period 5-6 TR GER 126 11:45—1:40

Attendance and Conduct of Class: This class is intended to be interactive. In order to get the most benefit from the course, class attendance is mandatory. I reserve the right to take attendance at random. Since most of the class will be based on discussion of cases and research materials, it is critical that students complete all readings prior to class and adequately prepare the material required for class discussion. In-class discussion of materials is a critical element of this course and may substantially affect a student's course grade. Students are encouraged to adequately prepare for such discussions. Students will be evaluated on the quality of their participation, not the quantity of their remarks.

Reading Material: Some of the reading for this course will come from academic journals that are available on line through the UF library system. You would also benefit by having access to *Auditing: Assurance & Risk 4th Edition* (Knechel and Salterio) but it is not a required text. Other material will also be distributed electronically via Canvas. If possible, you should obtain a copy of *Assessing and Responding to Audit Risk: International Audit Standards*: (AICPA 2013). This is available as an ebook or paperback at aicpa.org. Your firm may be able to provide a copy. It is expensive to purchase directly so a group probably only needs access to one copy. **All assigned readings should be completed prior to the scheduled class.**

Group Work: Students will be assigned to teams for the purposes of completing the major case project for the class. The case will involve risk assessment for the audit of a global international client. More detail will be provided during the first week of class. ***The written paper is due on 2/22 (5pm).***

Presentation of Research Paper: Each group will be assigned to make a presentation on at least one research paper. These presentations are scattered across the module. All papers will be randomly assigned once the groups are set. These presentations should run about 15-20 minutes each. Your presentation should cover:

1. What is the research question being addressed by the study?
2. Why is the question interesting or important to the profession?
3. What is theoretical foundation for the paper and hypotheses?
4. What are the hypotheses or expectations of the authors?
5. What is the general approach taken for examining the research question?
6. What is the source of the data used in the study?
7. What were the key findings of the study?
8. What are the limitations/weaknesses/caveats of the study?

I do not expect students to critique the statistical analysis that may appear in the paper. Rather, the group should stick to what we find out from the study.

Exams: There is a final exam to be given during the normal time for this module (Regular class time on 2/27).*

* The final exam is optional for students who are in good standing in the course. However, to receive any grade higher than a “B” for the class, you must take the final exam. (I will alert individual students directly in the last week of the module if I determine that they *must* take the exam because they are not in good standing.)

Grading: Your overall course grade will be based on the following components:

Case—written	400
Exam	500
Class “presence”	100

Grading distribution: A (930-1000), A- (900-929), B+ (870-899), B (830-869), B- (800-829), C+ (770-799), C (730-769), C- (700-729), D+ (670-699), D (600-669), E (<600)

UF Policies

University Policy on Accommodating Students with Disabilities: The University of Florida is committed to providing academic accommodations for students with disabilities. Students with disabilities requesting accommodations should first register with the Disability Resource Center (352-392-8565, www.dso.ufl.edu/drc/) by providing appropriate documentation. Once registered, a student should present his/her accommodation letter to the instructor supporting a request for accommodations (this could be a physical letter or attached to an email). If your accommodation regards special testing arrangements, you must then submit an

Accommodated Test Request (ATR) online for **each** exam/quiz. Students with disabilities are encouraged to follow these procedures as early as possible within the semester. If you do not follow the Disability Resource Center procedures or deadline for requesting accommodations or for submitting your ATRs, you will have to take the exam with your class without accommodations.

University Policy on Attendance: Requirements for class attendance and make-up exams, assignments, and other work in this course are consistent with university policies that can be found at: <https://catalog.ufl.edu/ugrad/current/regulations/info/attendance.aspx>.

University Policy on Academic Misconduct: Academic honesty and integrity are fundamental values of the University community. Students should be sure that they understand the UF Student Honor Code at <http://www.dso.ufl.edu/students.php>.

On-Line Course Evaluations: Students are expected to provide feedback on the quality of instruction in this course by completing online evaluations 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/>.

Getting Help

For issues with technical difficulties for E-learning in Canvas please contact the UF Help Desk at:

- Learning-support@ufl.edu
- (352) 392-HELP - select option 2
- <https://lss.at.ufl.edu/help.shtml>

Other resources are available at <http://www.distance.ufl.edu/getting-help> for:

- Counseling and Wellness resources
- Disability resources
- Resources for handling student concerns and complaints
- Library Help Desk support

Should you have issues with your experience in this course that cannot be resolved with the instructor, department, or program, please visit <http://www.distance.ufl.edu/student-complaints> to submit a complaint.

Syllabus and Reading List

Date	Day	Topic	Assignment/Reading
1/9	T	No Class	
1/11	R	No Class	
1/16	T	Introduction	
1/18	R	Review: Analytical Procedures	Material on analytical procedures from any introductory auditing book. Case: AMA Autoparts (<i>on Canvas</i>) Knechel, Salterio, and Kotchetova. 2010. "The Effect of Benchmarked Performance Measures and Strategic Analysis on Auditors' Risk Assessments and Mental Models." <i>Accounting Organizations & Society</i> .
1/23	T	Using International Databases (guest lecture)	None (this session is to help you with the class case study)
1/25	R	Demand for Auditing	* Hope, O.K., T. Kang, W. Thomas, and Y. K. Yoo (2008). Culture and auditor choice: a test of the secrecy hypothesis. <i>Journal of Accounting and Public Policy</i> 27 (5): 357-373. Knechel, W.R., N. Mintchik, M. Pevzner and U. Velury. "The effects of generalized trust and civic cooperation on the Big N presence and audit fees across the globe". <i>Working Paper, on Canvas</i> . * Michas P. N. 2011. The Importance of Audit Profession Development in Emerging Market Countries. <i>The Accounting Review</i> 86 (5): 1731-1764. * Knechel, W.R., L. Niemi and S. Sundgren. 2008. "Determinants of Auditor Choice: Evidence from a Small Client Market". <i>International Journal of Auditing</i> .
1/30	T	International Auditing Standards	Wood. 1996. "Global Audit Characteristics Across Cultures and Environments: An Empirical Examination." <i>Journal of International Accounting, Auditing and Taxation</i> . Various Authors. 2009. Evaluation of the differences between International Standards on Auditing (ISA) and the standards of the US Public Company Accounting Oversight Board (PCAOB). Available at (C). AICPA. 2014. "Substantive Differences Between the International Standards on Auditing and Generally Accepted Auditing Standards." Available at (A). EU Green Paper. 2010. "Audit Policy: Lessons from the Crisis." Available at (B). MARC. 2010. Response to Consultation on EC GREEN PAPER: "Audit Policy: Lessons from the Crisis" (<i>on Canvas</i>)

2/1	R	International Audit Networks	<p>Lenz and James. “International Audit Firms as Strategic Networks—The Evolution of Global Professional Service Firms.” <i>(on Canvas)</i></p> <p>* Fargher, Taylor and Simon. 2001. “The Demand for Auditor Reputation Across International Markets for Audit Services.” <i>The International Journal of Accounting</i>.</p> <p>* Carson. 2009. “Industry Specialization by Global Firm Networks.” <i>The Accounting Review</i>.</p>
2/6	T	Group Audits and Component Auditors	<p>IAASB. “ISA 600: Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).”</p> <p>AICPA. 1972. “AU Section 543: Part of Audit Performed by Other Independent Auditors.”</p> <p>PCAOB. 2010. “Staff Audit Practice Alert No. 6: Auditor Considerations Regarding Using the Work of Other Auditors and Engaging Assistants from Outside the Firm.”</p> <p>D. Sunderland and G. Trompeter. 2017. “Multinational Group Audits: Problems Faced in Practice and Opportunities for Research”. <i>Auditing: A Journal of Practice & Theory</i>.</p>
2/8	R	Group Audits and Component Auditors	<p>* Barrett, Cooper and Jamal. 2004. “Globalization and the coordinating of Work in Multinational Audits.” <i>Accounting Organizations and Society</i>.</p> <p>* Carson, Simnett, Trompeter and Vanstraelen. 2016. “Assessing Initiatives to Improve the Quality of Group Audits Involving Other Auditors”. <i>(on Canvas)</i></p> <p>* Stewart, T.R. and W.R. Kinney. 2013. “Group Audits, Group-Level Controls, and Component Materiality: How Much Auditing Is Enough?” <i>The Accounting Review</i> (March 2013): pp. 707-737.</p>
2/13	T	Assessing Risk at the International Level	<p>AICPA. 2013. “Assessing and Responding to Audit Risk: International Audit Standards”.</p> <p>* Darrough, Huang and Zhao. 2013. “The Spillover Effect of Fraud Allegations against Chinese Reverse Mergers”. <i>(Available at ssrn.com.)</i></p> <p>* Mao, J. and M. Ettredge. 2013. “Internal Control Deficiency Disclosures Among Chinese Reverse Merger Firms.” <i>(Available at ssrn.com.)</i></p> <p>* Mao, J. and Q.J. Yin. 2017. “Auditor Reverse-Merger Expertise: Evidence from Chinese Reverse-Merger Companies”. <i>Auditing: A Journal of Practice & Theory</i>.</p>
2/15	R	Substantive Audit Issues in Group Audits	Guest Speaker

2/20	T	International Inspection of Audits	<ul style="list-style-type: none"> * C.C. Bisjop, D.R. Hermanson and R.W. Houston. 2013. "PCAOB Inspections of International Audit Firms: Initial Evidence". <i>International Journal of Auditing</i>. * S. Fung, K.K. Raman, and X.K. Zhu. 2017. "Does the PCAOB's International Inspection Program Improve Audit Quality for Non-US-Listed Foreign Clients?" Forthcoming, <i>Journal of Accounting and Economics</i>. Also available at ssrn.com. * Shroff, N. "Real Effects of Financial Reporting Quality and Credibility: Evidence from the PCAOB Regulatory Regime". (<i>on Canvas</i>)
2/22	R	Wrap-Up: On Audit Quality	None
2/27		Final Exam	

* Indicates Papers to be presented by student groups (14 available slots).

Key web links:

- (A) http://www.aicpa.org/InterestAreas/FRC/AuditAttest/DownloadableDocuments/Clarity/SubstantiveDifferencesISA_GASS.pdf
- (B) http://ec.europa.eu/finance/consultations/2010/green-paper-audit/index_en.htm
- (C) <https://www.researchgate.net/publication/241872593> Evaluation of the differences between International Standards on Auditing ISA and the standards of the US Public Company Accounting Oversight Board PCAOB