

ACC 450
PRINCIPLES OF AUDITING
FALL 2021

Professor: Dr. Eldar Maksymov
E-mail: eldar.maksymov@asu.edu
Office Phone: 480-965-8614
Office on Campus: BA 252F (Tempe)
Zoom Room: [487 887 2580](https://asu.zoom.us/j/4878872580)
Office Hours:

Tue/Thu 4:30 – 5:30 PM Arizona time in Zoom Room. Please schedule your visit [HERE](#).
Email me if you would like to visit in-person in my office on campus rather than Zoom Room, need to chat outside of the office hours, need more than 20 min (the max time in the scheduler) or just have a quick question.

Some info could change after the classes start, as we get more directions from the university, etc.
 This version: June 27, 2021

Course Materials

Required Text: Maksymov, E. *The Craft of Auditing for Accounting Undergraduates: The Stuff You Actually Need to Learn Before Graduating (First Edition)*. Cognella Academic Publishing, ISBN 978-1-5165-8990-6. The book is available at ASU's Bookstore or directly from the publisher for ASU students only [\[link to be provided\]](#). *I declined royalties from sales of this book to ASU students, so the price at the Bookstore or from the publisher is lower to you.*

All other materials: Through the Canvas site for our class.

Course Objective and Overview

The main objective of the course is to help you learn the concepts you need to know before you graduate. Topics include careers available to you in auditing, how audit firms make money, planning audits, using data analytics in auditing, and others (see individual topics in the Schedule). Most of you will choose to never have an audit job. However, you will learn why understanding auditing is important for most careers in accounting.

Expected Class Conduct

One of the objectives of this course is to help you prepare for the business world. While the grading point system outlined below will give you some idea of where you stand in the class, I will lower your letter grade if I notice unprofessional behavior from you, such as showing a pattern of being late or missing class, being disrespectful to me or your classmates, etc. Please come to every class, come on time and stay for the entire class.

Grading

Here is the breakdown of the points you can earn in the class:

| Graded Component | Points |
|--|------------|
| Exam 1 | 100 |
| Exam 2 | 100 |
| Exam 3 (the Final Exam) | 100 |
| Pre-class question submissions and class attendance/preparedness | 50 |
| Group projects | 50 |
| Exercises | 30 |
| UiPath robotic process automation module | 10 |
| Your evaluation of your assigned group members | 10 |
| Total Points Possible | 450 |

Here is more detail about each graded component:

Exams (3x100 = 300 points)

All three exams are non-cumulative and will be based on the materials in the book and class discussions during the period covered by the exam. All exams are multiple-choice (MC) only, 50 questions each. MC questions on average have a similar level of difficulty and have identical design to those of the practice quizzes that you will take before each class. Each MC question will have four possible answers—if you select the best of the four answers, you'll get full two points for that question—otherwise zero. So, the max number of possible points on each exam is 100 (50 questions x 2 points each).

NOTE: Exams 1 and 2 will take place in your assigned classroom during the entire class time. Most students typically finish before the end of the class time. However, I have found no strong correlation between how early or late students finish and their exam grade. If you have a very good excuse (e.g., you are due to deliver your baby during the scheduled exam time), I will work with you to find an alternative time when you could take Exam 1 or 2. Contact me as much in advance as possible.

Exam 3 (the Final Exam) arrangements are slightly different from Exams 1 and 2. The university assigns the time and the room where Exam 3 will take place (see Schedule below and <https://students.asu.edu/final-exam-schedule>). Typically, we learn the assigned room later in the semester. I will update you as we go. You also get quite a bit more time for Exam 3 because it's the final, but the number of questions, their difficulty, and exam coverage (non-cumulative), is the same as for Exams 1 and 2. Normally the date and time for the final exam has to be strictly followed. Only the Associate Dean can approve requests for early final exams; only the Department Chair can approve requests for make-up exams.

Students who qualify for Disability Resource Center (DRC) arrangements (such as longer time for an exam) will take all three exams at the DRC facilities and can appoint their own time as long as it's on the same day as the scheduled day of the exam. See also Accommodations section below.

Pre-class question submissions and class attendance/preparedness (50 points)

This requirement is to help you read the assigned lessons more effectively and to stimulate the in-class learning. After you read the lesson assigned for the class, you should have questions if you read attentively. You only need to submit your **top three** questions (i.e., the three questions you would like to have answered the most relevant to the lesson) for each lesson **by 11:59 PM Arizona time of the day before** the class via this [QUESTION SUBMISSION LINK](#).

So how will you make 50 points for this requirement? For each class you can make 2 points. Here's the breakdown:

- **1 point** for three questions that show you read the lesson attentively. For example, questions such as "Can you tell us more about materiality?" do not show that you read the lesson attentively. Anyone can ask such questions even if they haven't read the lesson, so you may get zero for submitting throwaway questions like this. On the other hand, a question such as the following indicates some attentive reading: "Can you summarize the difference between quantitative and qualitative materiality?"
- **1 point** for attending the class. We will record attendance during each class.

That's 2 points total for each class. But aren't there 26 classes? That's right, but you get to drop your lowest points for a class. Say you had to fly out to a recruiting visit and miss the class entirely. You may run out of time to submit three questions and will not attend the class. As a result you get zero for that class. But as long as you submit thoughtful questions for the other 25 classes and attend them you'll still get 50 points.

Group Projects (50 points)

After Exam 1 I will assign you into groups of 3-4 people within your section. If you have already formed a study group or have a natural connection with some students from your section, I will consider assigning you together. So, if you and, say, another classmate from the same section would like to be in a group together—send an email to me sometime before Exam 1 copying the classmate on the email. Having said this, I try to not assign more than one ESL (English as Second Language) student in one group, so requests from three ESL students to be in a group together will not work for your own sake.

There are **three** group projects in this class. The instructions and other relevant materials for each project are on Canvas in Modules folder. For each group project select a different group leader. Each project must be turned in by the group leader you selected for that project **by 11:59 PM Arizona time on the assigned day via the specific project link on Canvas**. If the submission requires more files than one – the group leader should group all files into one archived folder in **Windows** and submit the zipped folder. Please name all projects as follows: **Group No. – Section No. – Project name**. For example, if your group is Group 1 from section 74555 to submit Simply Soups Project the group leader should name the zipped file as follows: **Group1-74555-SimplySoups.zip**. I cannot **accept late or emailed submissions** (unless there is a university-wide outage issue). I will provide solutions to the projects on Canvas after the project's submission deadline.

Here're some brief descriptions of the projects and the total possible points for each project:

Circle L Project (15 points) — In this project you will use Excel to perform analytical procedures on a set of data. Techniques range from simple calculations of changes in account values through multiple regression. You will fill in your responses into the template provided in the instructions.

Simply Soups Project (25 points) — In this project you will confirm the cash balances using electronic confirmations, just as auditors would. This project will challenge you to think critically about the confirmation process, applicable auditing standards, and risk. For the purpose of this project you will be using edu.Confirmation.com, which is used by many audit firms.

Divergent Project (10 points) — In this project you will (1) perform preliminary analytical procedures on financial statements and (2) document your findings.

Exercises (30 points)

There are **three** exercises in this class. The instructions and other relevant materials for each exercise are on Canvas in Modules folder. If you would like, you can work on these exercises in your assigned groups, but each exercise will need to be completed and turned in individually **via the exercise-specific link on Canvas on the assigned day before the class begins**. Please name all exercises as follows: **Last name – Section No. – Exercise name**. For example, if a student with the last name Johnson from section 74555 were to submit Auditing Standards Exercise, the file should be named: **Johnson-74555-AuditingStandards.docx**. Unfortunately, I cannot *accept late or emailed submissions* (unless there is a university-wide outage issue). I will provide solutions to the exercises on Canvas after the deadlines.

Here're some brief descriptions of the exercises and the total possible points for each exercise:

Cable Co. (5 points) — In this exercise you will watch a fictional show about how an audit firm got a new client and what happened next.

Auditing Standards Exercise (10 points) — In this exercise you will browse US and International auditing standards from various authoritative sources.

Pasta La Vista Exercise (15 points) — In this exercise you will take a role of an auditor examining a client's expenses using Excel. You will brush up your Excel and technical writing skills.

UiPath robotic process automation module (10 points)

Robotic process automation (RPA) is software designed to automate boring tasks on computer including web search, etc. ASU teamed up with UiPath—a leader in RPA software. All instructions are on Canvas. You will need about three hours to complete a video, practice task automation with the free software you will get as ASU student, and answer a few quiz questions. Once you get 80% of the questions correct (you'll have three attempts and the questions are fairly simple) and submit a couple of screenshots (see instructions), you'll get 10 points and a diploma certifying that you have passed this module (my TA or I will email it to you within a few days after the due date). Once you get the diploma, you should add a line about it into your resume and on LinkedIn, etc. The current module is general rather than audit-specific—you'll get introduced to RPA with UiPath application. But this familiarization is important in your future training on how to use RPA for audit purposes as well. Some Big 4 firms use UiPath for RPA routinely.

Your evaluation of your assigned group members (10 points)

To help each of you be a good group member, each group member will have a chance to evaluate other group members **anonymously** at the end of the course, after the last project is turned in. The due date for the evaluations is on the schedule. You will receive an email from me prior to that date with the link to the short evaluation survey. The evaluation survey will ask you to rate the overall contribution of each group member on the scale of 0 to 10 (0="no contribution at all" and 10="full contribution") and provide some general comments to support your rating. The average of your group members' evaluations of you will be your points for group work. For example, if there are three other members in your group besides you and they evaluate you at 10, 8, and 6, you will get 8 points for "Evaluations from Your Assigned Group." Please make sure to evaluate all of your group members and provide at least one sentence description of their performance or your own group evaluation score will be reduced (e.g., if you got 9 but didn't evaluate one of your other three group members, the score will be reduced by 1/3 to 6; same if you didn't provide at least one sentence description of their performance).

NOTE: Students will not see the evaluation points or the comments given to them by their group members to preserve confidentiality and avoid any possible future issues among group members. So, while I will have your average evaluation score, you will not see it. Based on the past, virtually everyone gets very good scores from their group mates, so assume your group members value you. These evaluations are more important than they may seem. Besides the overall grade, this evaluation, particularly the comments, are important in my recommendations for you to firms and graduate programs. Keep this in mind.

Practice Quizzes (Not Graded)

See *Canvas, Quizzes folder*. Canvas has a section for Practice Quizzes for each lesson. You can practice solving them as much as you want—the quizzes are not graded, and I will not know how well you did. I encourage you to attempt all 10 at least once before each lesson (see *Schedule*).

Grading Curve

Overall grades will be determined by a class curve, with +/- grading system in effect. Cutoff curves will not be higher than 90/80/70/60% for A/B/C/D and historically have always been lower. As in audit environment, in evaluating your performance I will use judgment and consider both your points and qualitative factors, such as your conduct during class, your participation, your teammates' evaluations, etc. For example, a student with 100% on every exam and assignment, but who was disrespectful to classmates, disruptive during class, never attended, etc., will be at risk of getting MUCH less than an "A" grade for the class. Conversely, I may give the benefit of the doubt to a student who, for example, clearly worked hard in class, but had to miss an assignment due to a family emergency and informed me about this as soon as feasible. I will be very fair in assigning your grade.

General Policy Statements

Integrity. Cheating is not tolerated at ASU and in the accounting profession (http://provost.asu.edu/academic_integrity). If I believe you cheated, you may receive the following consequences:

- Zero on the assignment or exam **AND**
- A reduced grade in the course OR
- A failure in the course OR
- An XE which denotes failure due to academic dishonesty on the transcript OR
- Removal from the W. P. Carey School of Business

Cheating is hard to define, but I recognize it when I see it. Most frequent cheating incidents in the past included students' looking at another student's exam. I know the difference between an accidental glance and an intentional look to get an answer. If I conclude that you looked at another student's exam (even once), I'll send an email to you after the exam and start the reporting process. I am required to report all cheating to the Dean's Assistant who will have a conversation with you and record the incident.

W. P. Carey School of Business Undergraduate Student Professionalism Policy: "The behaviors that are practiced today will become habits in the future. To that end, W. P. Carey students are expected to treat others as they wish to be treated. Students will be considerate of classmates, professors, staff and recruiters in all aspects and commit to acting in a professional manner in all school settings, including classes, sponsored events, and interviews. Students should be cognizant of the fact that they are representing the W. P. Carey School of Business and Arizona State University." Students, whose behavior does not meet professional standards may be dismissed from classes. For more information on this policy, please go to [this link](#).

Accommodations. *In order to receive any of these special accommodations, you need to notify me in advance, as early in the course as possible.* I will make accommodations for students who observe religious holidays. Here is the link to the calendar of official religious holidays recognized by ASU: <https://eoss.asu.edu/cora/holidays>. Each holiday with two asterisks denotes an observance for which work is not allowed. For these "no work" holidays, students will not be penalized in any way for missing class or assignments due that day. This means that this will not count as an absence in class and they will be allowed to submit the assignment on the following day without penalties for late submission. I will also make accommodations for students who miss class or an exam because they had to participate in university-sanctioned activities according to ACD 304-02. Please notify me at least a week in advance of any conflict so that accommodations can be made.

If you wish to request a disability-related accommodation for this course, please make sure you are registered with the Disability Resource Center (DRC) and give them appropriate notice so that they may contact me for arrangements. Note that I can make disability-related accommodations only in coordination with the DRC.

And one last thing... You can send an anonymous comment to me anytime! Sometimes you may want to make a comment to me that you are hesitant to make via email or in person. So, to give you an opportunity to talk to me anonymously and to keep improving this class, I would like to invite you to communicate with me anonymously via [THIS LINK](#). You can click it in the PDF file, and it will take you to a website where you will be able to leave an anonymous comment. As soon as you submit the comment, I will receive an email from this service with your anonymous comment.

ACC 450 Schedule (Fall 2021)

| Class day/date | Class day topic(s) | BEFORE the class day | | ON the class day |
|--|---|--|---|--|
| | | Read/Watch/Do | Submit (by 11:59 PM) | Submit (by 11:59 PM) |
| Day 1: Aug. 19 | The Auditing Profession | Syllabus, Introduction, and Lesson 1, L1 practice quiz | Three questions: on Syllabus, Intro, and/or L1 | |
| Day 2: Aug. 24 | The Business of Auditing | Lesson 2, Career Video, L2 practice quiz | Three questions: on L2 and/or Career Video | |
| Day 3: Aug. 26 | Evaluating and Auditing to Provide Opinion on Internal Controls over Financial Reporting | Lesson 3 and L3 practice quiz | Three questions on L3 | |
| Day 4: Aug. 31 | Auditing to Provide Opinion on Financial Statements | Lesson 4 and L4 practice quiz | Three questions on L4 | Cable Co. Exercise |
| Day 5: Sep. 2 | The Audit Risk Model | Lesson 5 and L5 practice quiz | Three questions on L5 | |
| Day 6: Sep. 7 | Auditor Independence | Lesson 6 and L6 practice quiz | Three questions on L6 | |
| Day 7: Sep. 9 | Biggest Threats to Auditors: Legal Claims and PCAOB Inspections | Lesson 7 and L7 practice quiz | Three questions on L7 | Auditing Standards Exercise |
| Day 8: Sep. 14 | Audit Quality and Factors that Potentially Improve It | Lesson 8 and L8 practice quiz | Three questions on L8 | |
| Sep. 16 | Exam 1 (50 multiple-choice questions on Lessons 1-8) | | | |
| Day 9: Sep. 21 | Preparing for the Audit | Lesson 9 and L9 practice quiz | Three questions on L9 | |
| Day 10: Sep. 23 | Planning the Audit Specifics | Lesson 10 and L10 practice quiz | Three questions on L10 | |
| Day 11: Sep. 28 | Testing ICFR | Lesson 11 and L11 practice quiz | Three questions on L11 | |
| Day 12: Sep. 30 | Substantive Testing by Analytical Procedures (Part 1: Concepts) | Lesson 12 and L12 practice quiz | Three questions on L12 | |
| Day 13: Oct. 5 | Substantive Testing by Analytical Procedures (Part 2: Application) | Lesson 13 and L13 practice quiz | Three questions on L13 | |
| Day 14: Oct. 7 | Substantive Testing by Testing Details and Disclosures (Part 1: Concepts) | Lesson 14 and L14 practice quiz | Three questions on L14 | Divergent Project |
| Oct. 12 | Fall Break – No Class | | | |
| Day 15: Oct. 14 | Substantive Testing by Testing Details and Disclosures (Part 2: Concepts and Application) | Lesson 15 and L15 practice quiz | Three questions on L15 | |
| Day 16: Oct. 19 | Using Audit Data Analytics Effectively (Part 1: Concepts) | Lesson 16 and L16 practice quiz | Three questions on L16 | |
| Day 17: Oct. 21 | Using Audit Data Analytics Effectively (Part 2: Application) | Lesson 17 and L17 practice quiz | Three questions on L17 | Circle L Project |
| Day 18: Oct. 26 | Using Audit Data Analytics Effectively (Part 3: More Application) | Lesson 18 and L18 practice quiz | Three questions on L18 | |
| Oct. 28 | Exam 2 (50 multiple-choice questions on Lessons 9-18) | | | |
| Day 19: Nov. 2 | Accounting and Transaction Cycles (pp. 321-335) | Lesson 19 | Three questions on L19 (pp. 321-335) | UiPath RPA Module |
| Day 20: Nov. 4 | Accounting and Transaction Cycles (pp. 336-345) | Lesson 19 and L19 practice quiz | Three questions on L19 (pp. 336-345) | |
| Day 21: Nov. 9 | Substantive Testing of Cash | Lesson 20 and L20 practice quiz | Three questions on L20 | |
| Nov. 11 | Veterans Day – No Class | | | |
| Day 22: Nov. 16 | Substantive Testing of Key Inventory Transaction Cycle Accounts | Lesson 21 and L21 practice quiz | Three questions on L21 | Simply Soups Project |
| Day 23: Nov. 18 | Substantive Testing of Accounts Receivable and Revenue | Lesson 22 and L22 practice quiz | Three questions on L22 | |
| Day 24: Nov. 23 | Performing Concluding Audit Procedures | Lesson 23 and L23 practice quiz | Three questions on L23 | Pasta La Vista Exercise |
| Nov. 25 | Thanksgiving – No Class | | | |
| Day 25: Nov. 30 | Issuing Audit Reports on Financial Statements and on ICFR | Lesson 24 and L24 practice quiz | Three questions on L24 | |
| Day 26: Dec. 2 | Key Psychological Biases Applicable to Auditing | Lesson 25 and L25 practice quiz | Three questions on L25 | Evaluations of your group members |
| Exam 3 (i.e., the Final Exam, 50 multiple-choice questions on Lessons 19-25), Dec 10, 4:50 PM – 6:40 PM. Room: TBD. | | | | |