

**BUS 648 Systems/Auditing  
Spring 2012**

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**Office Hours 4:30-5:30 Monday; 3:15-4:00 TTh;** other hours by appointment

**Course Description:** A comprehensive view of the development, implementation, and auditing of accounting information systems. The course will cover the theoretical and technical aspects of the attest function, with an emphasis on the establishment and analysis of controls in computer-based systems. Topics will include data integrity and quality, materiality, sampling, reports, ethics, and regulations.

**Prerequisites:** Completion of core courses.

**Course Objectives:** This course requires students to apply accounting and auditing concepts to analyses of real-world cases. Students will explore the design, control, and auditing of accounting information systems in light of requirements established by the FASB, Sarbanes Oxley, the PCAOB, and the AICPA. Assignments emphasize major business cycles; internal control objectives; technological and manual control procedures; preventing and detecting accounting fraud; and legal, ethical, and professional auditing guidelines.

**Student Expectations:** This course relies upon each student's thorough preparation and participation. Only by reading and analyzing all assigned cases and background material can students engage in the expected level of discussion.

**Textbooks and Other Resources:**

*Wiley CPA Exam Review, Auditing, 2012*

*Contemporary Auditing: Issues and Cases*, (latest edition), Michael C. Knapp, South-Western Publishing.

*Auditing and Assurance*, Arens, et al., Prentice Hall (or textbook covering similar material)

*AICPA, Sarbanes Oxley, and PCAOB Professional Standards* – Available online

**Grade Determination:**

Daily preparation, participation and quizzes	10
Case write-ups and presentations	15
Two tests	40
Final exam	20
Major paper/presentation	<u>15</u>
	100

**Daily Grades:** Daily homework may include reading assignments; questions from the casebook; outlines of cases, AICPA pronouncements, and articles; and CPA-exam types of problems.

Also, quizzes may be given periodically. These assignments will not be accepted late. In the event of an excused absence, you should turn in the assignment early if possible.

**Cases:** One student will be responsible for presenting four cases during the semester and will write a thorough analysis of each of these cases, emphasizing the accounting and auditing issues surrounding the situation. These analyses *must* include references to official pronouncements impacting corporate managers, auditors, and/or stockholders in the case. The other students in the class will read the case and come to class prepared to discuss the assignment and raise knowledgeable questions.

Each case analysis must include the following sections:

- Brief description of facts of the case

- Primary individuals involved in the case

- Discussion of the primary **accounting issues**

- Discussion of the primary **auditing issues**

- Relevant official **accounting pronouncements** (FASB, IFRS, etc.) – use FASB codification website

- Relevant **auditing pronouncements** (AICPA, PCAOB, etc.)

**Systems paper/presentation:** Teams of two students will develop papers and presentations regarding the system for a primary cycle (revenue, expense, etc.). The paper and presentation must include the key elements, flow of information (including flowchart), risks, controls, key accounting and reporting requirements, audit objectives, and audit procedures for the cycle. These papers are due the day each team presents to the class.

**Bonus Opportunities:** Brief bonus quizzes will be offered at the beginning of many class periods. Each activity will be worth 1 bonus point on the next test.

**Tests and Final Exam:** Each test will consist of discussion, short-answer, and C.P.A.-type multiple choice questions concerning auditing standards and procedures, cases covered in class, and accounting systems. Students who have earned at least a grade of 88 and have no more than three absences will be exempt from the final exam.

**Attendance and participation:** Failure to attend and participate will affect the grade. The professor may lower the final grade by 3 points for each unexcused absence in excess of 3. **Absences in excess of 3 may also result in an additional assignment for each missed class day.**

**Honor Code:** The Rhodes Honor Code is expected to be followed in all aspects of the course. All work is to be pledged.

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<b>Day</b>	<b>Date</b>	<b>Topic</b>	<b>Cases</b>
Th	<b>January 12</b>	Introduction	
Tu	17	Design and audit of an accounting system - major cycles; the role of auditing in society; audit objectives/assertions	
Th	19	Evolution of auditing control - AICPA, Sarbanes-Oxley, PCAOB	Enron, NextCard
Tu	24	Reporting – types of audit reports	WorldCom
Th	26	Evidential Matter in an audit - types of evidence, characteristics of evidence	Just for Feet, Gemstar
Tu	31	“	Madoff
Th	<b>February 2</b>	Risk and Materiality; analytical procedures	Golden Bear, Campbell Soup
Tu	7	Errors, irregularities, and fraud - regulations; implications for management and auditors	ZZZBest, OAO Gazprom
Th	9	<b>Test 1</b>	
Tu	14	Internal Control - objectives and procedures for designing and auditing accounting system controls  Systems Design and Controls	U.S. Surgical, New Century Finl
Th	16	Internal Control - new rules for publicly traded companies and their auditors  Flowcharting	Goodner, Troberg, United Way
Tu	21	Legal Liability	Ultramares, Hochfelder
Th	23	Legal Liability-recent developments	Ligand, National Medical Transportation
Tu	28	Communications with Predecessor and Successor Auditors	
Th	<b>March 1</b>	Related Parties - implications for controls and audits	Gemstar (prev.)
Tu	6	Subsequent Events, Subsequent Discovery - responsibilities related to events occurring or emerging after the financial statement date and/or audit	Lincoln (Clark, Al),

Th	8	Statistical Sampling - methods, interpretation, audit implications	Livent, American Fuel and Supply (Doug, Parks)
Tu/Th	13/15	<b>Spring Break</b>	
Tu	20	Statistical Sampling - methods, interpretation, audit implications (cont.)	
Th	22	International Auditing	Zuan Yan, South Africa
Tu	27	<b>Test 2</b>	
Th	29	Professional Conduct - rules governing ethical issues including independence and confidentiality	Mallon, Jamaica Water (Logan, Blake), Koger (Allen, Adam)
Tu	April 3	Risks, controls, and audit implications of specific accounts and cycles – Revenue and receivables  <b>Systems presentations</b>	Happiness, Inc. (Kim, Rhianna), Health Management
<i>Thur/Fri</i>	<i>5/6</i>	<i>Easter Break</i>	<i>Thur/Fri</i>
Tu	10	Payroll, liabilities  <b>Systems presentations</b>	Trolley Dodgers (Brandon, Alison), CBI Holding (Dan, Matt)
Th	12	Cash, Inventory  <b>Systems presentations</b>	Perry Drug, Saks, Rocky Mountain
Tu	17	Other  <b>Systems presentations</b>	Dollar General (Emily, Josh Bourland)
Th	19	Attestation Standards  <b>Systems presentations</b>	Howard St. Jewelers, CapitalBank
Tu	24	Accounting & Review Services	North Face, Creve Couer
Th	26	“	
		<b>Final Exam</b>	