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**ACCT 311, Section 101**  
**AUDITING AND INTERNAL CONTROL SYSTEMS**  
**Spring Semester 2014, Tuesdays and Thursdays 10:00- 11:15 AM**  
**Corboy 521**

**Catalog Description**

**Prerequisite** Minimum grade of "C-" in ACCT 303

“An in-depth investigation of internal control structure and systems and the theory of audit evidence. Theoretical principles and practical issues involved in planning and executing an audit are explored. Internal control policies and procedures and principal evidence techniques for major transaction cycles or account groups are studied in depth. **Study of appropriate AICPA and PCAOB professional standards is an integral part of this course.**”

**Course Overview**

This is the first of two undergraduate courses offered in Auditing and is a required course for all accounting majors. The course is lecture based and your participation is expected. The course also integrates a research requirement necessary for students to meet eligibility requirements for the CPA exam. Student performance will be determined by written research assignments, mini-presentations, case work, completion of the assessment for the course and examinations.

**Course Objectives and Learning Outcomes**

Students who successfully complete this course will be able to

1. Understand the role of professional standards in the audit of financial statements
2. Demonstrate their ability to research those standards
3. Demonstrate their understanding of the audit process, in particular the roles of planning, evidence and internal control.

## Required Materials

1. **Principles of Auditing and Other Assurance Services**, 19<sup>th</sup> Edition, Whittington and Pany, Irwin McGraw Hill, 2013, hereafter referred to as **WP (Available from Loyola Bookstore and Beck's –(Softcover Loyola Edition-less expensive)) ISBN # 9781121973121**
2. **Other class materials will be available on Sakai (Handouts, Assignments, and Power Point Slides.)**
3. **Please also take advantage of the following websites:**  
[www.mhhe.com/whittington19e](http://www.mhhe.com/whittington19e)  
[www.pcaobus.org](http://www.pcaobus.org)  
[www.aicpa.org](http://www.aicpa.org)  
[www.cpa-exam.org](http://www.cpa-exam.org)

## Additional Materials

**Statements on Auditing Standards**, hereafter referred to as **AU** sections (Clarified Standards.) (**Available on the AICPA website.**)

**PCAOB Standards**, hereafter referred to as **PCAOB or AS** sections. (**Available on the PCAOB website**)

## Course Requirements and Grading Criteria

**Three exams** (all closed book) will be given on the dates specified in the course outline. There will be two midterms and a final exam.

**Case/project**-more information on this will be distributed in class.

**Four Written Research Assignments** which may be submitted on Sakai or in class will be required. An automatic 10% penalty PER DAY will be assessed on all of these assignments if not turned in on time. Each assignment will be posted on Sakai and will be worth 20 Points. All assignments must be typed or a 50% penalty will apply. These assignments will be graded on content, grammar, and exposition. **If English is not your first language please schedule time with the writing center ahead of time for help and review of these assignments.**

A portion of the final grade will also be allocated to a **mini presentation and the completion of the course evaluation**. Each student will be assigned one topic /definition pertaining to auditing and will be required to present that topic/definition in class on a predetermined date. The presentation shall not exceed 5 minutes and will be worth up to 10 points. **No points will be earned if a student is not present on the given date, unless the presentation has been rescheduled with the instructor prior to class. You are only allowed to reschedule once. After that no credit will be given.** Upon evidence of completion of the course evaluation-i.e. a screen shot of the receipt 10 points will be awarded. **No points will be given unless evidence is provided!**

**Discussion questions** from the text are to be prepared by students for discussion-they will not be collected. However not being prepared may adversely affect your grade.

**Final grades will be based on the following:**

2 Midterms and Final Exam	300	60%
4 Written Research Assignments (4 @20)	80	16%
Mini-Presentation	10	2%
Project/Case	100	20%
Course Evaluation	<u>10</u>	<u>2%</u>
Total Available Points	<u>500</u>	<u>100%</u>

**Course Grading Scale**

A	450-500
A-	440-449
B+	435-439
B	400-434
B-	394-399
C+	387-393
C	350-386
C-	344-349
D	300-343
F	Below 300

**Quinlan School of Business Policies:**

**Attendance**

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. Faculty may set participation policies unique to their courses and use class participation as a component of the final grade. The student is responsible for any assignments or requirements missed during an absence.

ANY material covered in class is fair game for inclusion in examinations. *Never ask, "Did I miss anything important in class the other day?" Of course you did!*

## **Make-Up Examinations**

Loyola University academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Because Quinlan faculty believe examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period. **Make-up examinations are discouraged.** Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (illness verified by a signed physician's note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean. ***Make up exams will be scheduled by the student and instructor upon presentation of valid rationale and all make-up exams will carry a 10 point penalty and not necessarily conform to review notes distributed in class.***

If a make-up examination must be given, it is the responsibility of the faculty member to prepare, schedule, and proctor the exam. Limited assistance in proctoring make-up exams may be available through a designated Quinlan administrative assistant. For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

## **Academic Integrity**

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood...Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of "F" for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website:

<http://www.luc.edu/media/lucedu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf>

## **Professionalism**

In business, a professional attitude is most important. I will treat you as a professional, but I expect the same courtesy in return. If you have a cell phone, put it to the silent setting. If you must take a call, take it outside the classroom. If you must arrive late or leave early, please do so quietly and with the least disruption possible. If you are utilizing a lap top or tablet for classroom purposes please sit in the back row to minimize distractions.

## **What is Auditing?**

“Auditing is concerned with the verification or testing of financial statements and similar data. Such data consists of a series of assertions. A balance sheet asserts that the enterprise has cash, receivables, inventories, and so on. The statement further asserts that those items are appropriately disclosed and described and that their classification accords with an acceptable interpretation and application of generally accepted accounting principles.

The relationship of auditing to accounting is close, yet their natures are very different: they are business associates, not parent and child. Accounting includes the collection, classification, summarization, and communication of business events and conditions as they affect and represent a given enterprise or other entity. The task of accounting is to reduce a tremendous mass of detailed information to manageable and understandable proportions. Auditing does none of these things. Auditing must consider business events and conditions, too, but it does not have the task of measuring or communicating them. Its task is to review the measurements and communications of accounting for propriety.

Auditing is analytical, not constructive: it is critical, investigative, concerned with the basis for accounting and assertions. Auditing emphasizes proof, the support for financial statements, and data. Thus, auditing has its principal roots not in accounting which it reviews, but in logic, on which it leans heavily for ideas and methods.” ...Mautz and Sharaf, **The Philosophy of Auditing (American Accounting Association)**

## **TENTATIVE COURSE OUTLINE & ASSIGNMENT SHEET** **AUDITING AND INTERNAL CONTROL SYSTEMS** Spring 2014

**Please note:** This class may occasionally deviate from the course outline below. The instructor reserves the right to make changes as needed to the course syllabus.

WEEK	DATE	CHAPTER/ TOPIC/READINGS	DISCUSSION QUESTIONS & PROBLEMS	Other/ Readings Assignments
1	1/14 T  1/16 TH	<b>WP Ch. 1-</b> “ <i>The Role of the Public Accountant in the American Economy</i> ”  “ “	  Q1-28 Q1-30 and 1-32	<b><i>Read Ch. 1</i></b> <b><i>Familiarize yourself with the PCAOB and AICPA websites including the AICPA’s clarity project</i></b>

WEEK	DATE	CHAPTER/ TOPIC/READINGS	DISCUSSION QUESTIONS & PROBLEMS	Other/ Readings Assignments
2	1/21 T	<b>WP Ch. 2-(omit material on Attestation Stds-p. 48-9 &amp; figs. 2-6 &amp; 2-7) do not omit Quality Control material)</b> <i>“Professional Standards”</i>	Q2-1, 2, 19	<b>Read Ch. 2 (omit Attestation material only!)</b> <b>Read AU-C200 &amp; AU-C220 and Auditing Standard #1 on the PCAOB website</b>
	1/23 TH	<b>AU-C200, AU-C220 PCAOB website PCAOB Auditing Standard #1</b>	Q2-30, 32, 34	<b><u>Research Assignment #1 on Sakai (due by Tuesday, 1/28)</u></b>
3	1/28 T	<b>WP Ch. 5-pp. 137-159</b> <i>“Audit Evidence”</i> <b>PCAOB AS 8</b>	Q5-1,2,3, 34	<b>Read Ch. 5 (pp. 137-159)</b> <b>Read PCAOB AS 8</b>
	1/30 TH	<b>S-AU-C500</b>	Q5-6,7	<b>Read AU-C500</b>
4	2/ 4 T	<b>S-AU-C620, AU-C580, AU-C520, AU-C550, AU-C540</b>	Q5-10, 11, 12, 14, 43 (a-g and k) , 44	<b>Read AU-620, AU-C580, AU-C520, AU-C550, AU-C540</b>
	<b>2/ 6 TH</b>	<b><u>Midterm 1-(Ch. 1, 2 &amp; 5 )</u></b>		<b><u>Midterm 1</u></b>
5	2/11 T	Review Exam and finish Ch. 5		
	2/13 TH	<b>WP Ch. 6-“Audit Planning, Understanding the Client, Assessing Risks &amp; Responding”</b>	P6-46	<b>Read Ch. 6</b>

WEEK	DATE	CHAPTER/ TOPIC/READINGS	DISCUSSION QUESTIONS & PROBLEMS	<i>Other/ Readings Assignments</i>
6	2/18 T	<b>S-AU-C510, AU-C300, AU-C320, AU-C210, AU-C315 And PCAOB AS 9</b>	Q6-23, 8, 15, 16, 38, 41, 42	<b>Read AU-C510, AU-C300, AU-C320, AU-C210, AU-315 And PCAOB AS 9</b>
	2/20 TH	<b>Read PCAOB AS 12</b>	“ “	<b>Read PCAOB AS 12</b>
7	2/25 T	<b>WP Ch. 7-“Internal Control“</b>	Q7-9,25	<b>Read Ch. 7</b>
	2/27 TH	<b>WP Ch. 7-(Cont.) “Internal Control” S-AU-C265 &amp; AU322</b>	Q7-22,27, 35, 38, 39,40	<b>Read AU-C265 and AU322</b>
8	<b>3/ 4-3/ 6-No Class - Break</b>			<b><u>Research Assignment #2 on Sakai (due by Tuesday, 3/11</u></b>
9	3/11 T	<b>WP Ch. 7-(Cont.)</b>	Case 7-45	
	3/13 TH	<b>WP Ch. 10-“Cash and Financial Investments” S-AU-C501.01-.10</b>	Q10-2,5,15,40	<b>Read Ch. 10 and AU-C501.01-.10</b>
10	3/18 T	<b>WP Ch. 10 (Cont.)</b>	Q10-35, 36, 37, 48	
	3/20 TH	<b>WP Ch. 11-“Accounts Receivable, Notes Receivable and Revenue” S-AU-C505</b>	Q11-2, 36	<b>Read Ch. 11 Read AU-C-505</b>
	<b>3/24 M (Drop Date)</b>			
11	3/25 T	<b>WP Ch. 11 (cont.)</b>	Q11-30, 35, 40	
	3/27 TH	<b>WP Ch. 12-“Inventories and Cost of Goods Sold”</b>	Q12-24	<b>Read Ch. 12</b>

WEEK	DATE	CHAPTER/ TOPIC/READINGS	DISCUSSION QUESTIONS & PROBLEMS	<i>Other/ Readings Assignments</i>
12	4/ 1 T  4/ 3 TH	<b><u>Midterm 2-(Ch. 6, 7, 10 &amp; 11)</u></b>  <b>S-AU-C501.11-.15 and .A20-.A39</b>	Q12-29, 33, 41,	<b><u>Research Assignment #3 on Sakai (due by Tuesday, 4/ 8</u></b>
13	4/ 8 T  4/10 TH	<b>WP Ch. 13- “Property, Plant &amp; Equipment”</b>  <b>WP Ch. 13- “Property, Plant &amp; Equipment”(cont.)</b>	Q13-2,7,9,15, 32,34  P13-38	<b><i>Read AU- C501.11-.15 and .A20-.A39 Read Ch. 13 Case Distributed</i></b>  <b><u>Assignment #4 on Sakai (due by Tuesday, 4/15</u></b>
14	4/15 T  4/17 TH	<b>WP Ch. 14- “Accounts Payable and Other Liabilities”</b>	Q14-5,15,33, P14-35	<b><i>Read Ch. 14</i></b>
15	4/22 T  4/24 TH	<b>WP Ch. 15-“Debt and Equity Capital”</b>	Q15-7,13,18, 22, 32, 33	<b><u>Case Due</u></b>
<b>16</b>	<b><u>4/ 29-Tuesday</u></b>	<b><u>Final Exam</u></b>		<b><u>1:00-3:00 PM</u></b>