



companies to mitigate their business risks and explain how tests of those controls can lead to a reduction in the amount of evidence needed to provide assurance. We will distinguish the various types of evidence, including an evaluation of their relative level of persuasiveness. We will design evidence gathering procedures that direct accountants, in a cost efficient manner, to collect specific evidence in support of material management assertions made about the reliability and relevance of information used in decision making.

Accountants accumulate evidence in order to draw conclusions about the fair presentation of information used in decision making. Because those conclusions must be documented in the accountant's files as the basis for the assurance report, excellent written communication skills are critical to the accountant's success individually and as a firm. As a result, throughout both parts of this course students will create written evaluations of company business risks and related controls to practice effective written communication skills.

#### 4. Course Objectives

We have several objectives that we hope to achieve upon the successful completion of this course. By the end of the semester, you should be able to

- Distinguish assurance services from other professional services offered by CPAs.
- Describe professional standards related to a variety of assurance engagements.
- Select the correct assurance report to be issued for specific assurance services circumstances.
- Identify potential ethical violations and relate those violations to specific ethical rules.
- Identify company business strategies and consider business risks associated with those strategies.
- Distinguish business risks affecting information relevance and reliability from other business risks.
- Explain which internal controls can effectively mitigate information risks.
- Describe the different types of evidence used in assurance services engagements and their relative persuasiveness.
- Design assurance services procedures to gather evidence for specific management assertions about the reliability and relevance of specific information used for decision making.
- Prepare well-organized, concise, and grammatically correct written business communications.
- Work in teams.

This is an aggressive list of objectives. We will be very busy. However, given that many of you will choose some type of assurance services career or a career that is directly affected by an information reliability and relevance (i.e., corporate accounting, banking, etc.) and given that this is the only undergraduate course that you will have addressing assurance services, it is very important that we work diligently to achieve these objectives. *Our* preparation for class and *our* work with all assignments will lead us towards accomplishing these desired objectives so that you gain the most from this course. You will be involved in a variety of learning experiences. An outline of many of our activities is provided in the following sections of this syllabus.

#### 5. Class Notes and Text Readings

All class notes (powerpoint presentations) are available at my web page (see address above). Students will be expected to printout the day's lecture notes and bring them to class. **Please recognize that these notes are minimal and should be added to by the student based upon the class lectures.** Students are also expected to have read the chapter in the text **prior** to attending each lecture.

#### 6. Individually Prepared Homework

Because the classroom discussions and lectures are designed to provide you an overview of the material, your preparation of regular homework is essential to your gaining a thorough understanding about

assurance services and to your development of effective assurance services skills. Thus, two-to-three homework problems are generally assigned for each topic. They are essential to your gaining a thorough understanding of the topics discussed in class. They also provide an excellent opportunity to help you develop good audit documentation habits. Ten homework problems will be collected for grading at random (no advance notice) at the beginning of the class period. **Homework assignments are to be individually prepared (not by a group) and must be typed (single spaced, 12 point font).** You are encouraged to discuss with classmates solutions to homework **prior to** or after its completion. Because late homework will not be accepted, you will be allowed to "skip" two assignments during the term. Thus, you will receive grades on eight of the homework problems. **REFERENCING HOMEWORK SOLUTIONS FROM PRIOR TERMS IS INEXCUSABLE AND IS CONSIDERED A SERIOUS ACT OF CHEATING.** More importantly, copying old solutions doesn't aid your learning.

To help you develop good documentation habits, the collected homework will be graded on the following basis:

- effort
- accuracy
- neatness
- timeliness
- completeness
- conciseness

### 7. Case Reading and Writing Assignments

Unfortunately, accountants are not perfect. Occasionally there are situations that involve financial statement fraud and other ethical dilemmas. We will examine four business cases to give us an exposure to some "real-life" cases of problems accountants face when providing assurance services.

Case 1: Anonymous Caller

Case 2: Waste Management

Case 3: Laramie Wire

Case 4: Enron Corporation and Andersen, LLP

**Typed Solutions:** For the following cases, you will prepare typed solutions to all of the questions assigned for the case study. You are limited to two single spaced pages (12 point font). The case submissions should be well-organized, concise, and grammatically correct written business communications. Students should write their solutions as if they were submitting their work to a superior auditor. **You MUST work in teams of between 4 to 6 students to discuss and complete the case studies. One solution is all that is needed to submit to the instructor. STUDENTS ARE RESPONSIBLE FOR CREATING THEIR OWN TEAMS AND SHOULD DO SO DURING THE FIRST OR SECOND CLASS SESSIONS. All students must have their names on the solution to receive credit.**

### 8. Examinations and Quizzes

By now, you have figured out that no course is complete without some form of testing. This course is no exception. Two mid-term examinations will be given during the semester as indicated on the attached detailed course outline. **YOU SHOULD MAKE ARRANGEMENTS NOW TO BE PRESENT ON THESE DATES AND TIMES.** The exams will be a combination of multiple-choice and short essay questions and will cover all the chapters indicated on the course schedule. The final examination is comprehensive for the entire course – please note your section's exam date and time at the bottom of the course schedule. **Students are required to take their final exam on the date and time provided.**

To give you some practice before taking one of these exams, we will have two quizzes during the term. The purpose of the quizzes is to provide you an opportunity to test your understanding of smaller segments of the material in a less stressful setting. We will conduct the quizzes at the **beginning** of class, which should only take a few minutes on that day to complete. They will be relatively short and will cover generally only four chapters.

The objective of these examinations and quizzes is to evaluate your understanding of auditing concepts and your ability to communicate the results of your analysis of the textbook, class projects, homework assignments, and class discussion.

**Make-up exams and quizzes will NOT be given.** If an emergency makes it impossible for you to take the exam or quiz as scheduled, it is your responsibility to contact me as soon as possible (generally *before* the quiz or exam - call 513-1772) and to provide appropriate documentation to validate the emergency. For those students with an excused absence from an exam or quiz, the cumulative grade on the final will serve as the grade for the missed exam or quiz.

## 9. Class Preparation and Attendance

Advanced preparation for each class is expected. I cannot stress how important that factor is in contributing to a successful completion of this course. This includes study of the chapter, preparation of assigned homework, and completion of assigned projects. Questions and participation in class discussion is encouraged and expected. You will be graded on your class participation – **to earn the full points for class participation, students are expected to attend AND PARTICIPATE (ask questions, respond to questions, etc.) during class.** Much of the class time will involve your participating in class discussions. If you are interested in the status of your participation grade, please see the instructor during office hours (no emails) during weeks four and five of the semester.

## 10. Academic Honesty

All projects and homework assignments are expected to be original works. Academic dishonesty will be dealt with *in the harshest manner available* within University guidelines. The use of solutions manuals, solutions from prior terms, copying from other students, or any such "aids" will be considered part of academic dishonesty and treated accordingly. **Be sure you are familiar with NC State's policies – see <http://www.fis.ncsu.edu/ncsulegal/41.03-codeof.htm>.**

## 11. Nondiscrimination Policy

North Carolina State University is dedicated to equality of opportunity within its community. Accordingly, NC State does not practice or condone discrimination, in any form, against students, employees, or applicants on the grounds of race, color, national origin, religion, sex, age, or disability. NC State commits itself to positive action to secure equal opportunity regardless of those characteristics.

## 12. Disability Services for Students

Disability Services for Students (DSS) staff serve as advocates for students with disabilities and assist them in achieving equal access to all university programs and services. The staff are available to consult with faculty, administrators, and staff concerning appropriate accommodations or services for students with disabilities. The official contact for students with disabilities who request services and accommodations, is located in the 1900 Suite of the Student Health Services building. This office can be reached at 515-7653 (voice) and 515-8830 (TDD). Students must self-identify with DSS and provide documentation of their disability from an appropriate source.

## 13. Helpful Hints

A significant factor in your successful completion of this course is staying current with the material. It is difficult to successfully complete this course by letting your preparation "slip" and by "cramming" just before an exam. The homework and projects are designed to encourage you to pace yourself by regularly preparing for class and staying current with the material. You will gain the most out of this class if you read the assigned chapter the day before I begin lecturing on that chapter's material as well as completing the exercises and problems as indicated on the schedule attached. I also encourage you to take advantage of my

office hours when you need extra help with course materials. Office hours are designed for your benefit. However, if you come for help, you are expected to be prepared. That is, you should have attended class, read the textbook, and made a valid effort to work out the problem with which you need help. Lastly, the website for the text, containing additional educational items is [www.prenhall.com/arens](http://www.prenhall.com/arens).

#### 14. Grade Determination

<u>Exams</u>	<u>Points</u>
First Midterm Examination	110
Second Midterm Examination	110
Final Examination - Comprehensive	130
Quizzes (2 @ 30 points each)	<u>60</u>
Total Exam Points	410
<u>Other</u>	
Homework (8 @ 5 pts. each)	40
Business Cases (4@ 15 pts. each)	60
Participation	<u>60</u>
Total Other Points	<u>160</u>
<b>Total Possible Points</b>	<b><u>570</u></b>

Most students who make a diligent effort in completing the assignments in the "Other" section generally do well "pointswise" on those assignments. However, a student who is not adequately completing the assignments separates his/herself from the rest of the class. So, you are expected to earn a higher percentage of the "Other" points than you do on the Exam and Quiz points. If you want to guarantee that you will receive at least a(n)

A+	= you must earn 559 or more points
A	= you must earn 524 - 558 points
A-	= you must earn 513 - 523 points
B+	= you must earn 502 - 512 points
B	= you must earn 467 - 501 points
B-	= you must earn 456 - 466 points
C+	= you must earn 445 - 455 points
C	= you must earn 410 - 444 points
C-	= you must earn 399 - 409 points
D+	= you must earn 388 - 398 points
D	= you must earn 353 - 387 points
D-	= you must earn 342 - 352 points
F	= earn below 342 points

**Pass-Fail/Audits:** If you are taking this course on a pass/fail basis, I expect you to complete all assignments, exams, and quizzes. You will receive a "satisfactory" if you earn a grade of "C-" or better. Otherwise, you will receive an "unsatisfactory" as your grade. If you are auditing this course, I expect you to take all exams and earn at least a "C" or better on two of the three major exams. **If you are taking this course pass-fail or auditing the course please see me as soon as possible to discuss.**

**Incompletes:** Incompletes are granted only for situations where the student has completed most of the course but is unable to complete the end of the course because of extenuating circumstances. Incompletes are not given as a substitute for a "D" or "F" performance.

**RISK AND ASSURANCE  
CLASS SCHEDULE – FALL 2006**

<u>Day/Date</u>	<u>Session</u>	<u>Subject</u>	<u>Reading Assignment</u>	<u>Homework Assignment</u>	<u>Other Projects</u>
Thurs Aug 23	1	Go over the syllabus	Ch.1		
Tues Aug 28	2	Introduction - Demand for Assurance Services	Ch. 1		
Thurs Aug 30	3	The CPA Profession	Ch. 2	1-16, 1-21	
Tues Sep 4	4	The CPA Profession	Ch. 2		
Thurs Sep 6	5	Audit Reports	Ch. 3	2-19, 2-21	
Tues Sep 11	6	Audit Reports	Ch. 3		Case 1: Anonymous Caller (Q1 and 5)
Thurs Sep 13	7	Professional Ethics	Ch. 4	3-28, 3-33	
Tues Sep 18	8	Audit Resp. and Object. & <b>Quiz 1 (chapters 1-4)</b>	Ch. 6	4-20, 4-22	
Thurs Sep 20	9	Audit Resp. and Object.	Ch. 6		
Tues Sep 25	10	Audit Evidence	Ch. 7	6-24, 6-25, 6-30	
Thurs Sep 27	11	Audit Evidence	Ch. 7		
<b>Tues Oct 2</b>	<b>12</b>	<b>EXAMINATION 1 (chapters 1,2,3,4,6,7)</b>			
Thurs Oct 4	13	Audit Planning and A/P	Ch. 8	7-32, 7-39	Case 2: Waste Management (Q2 and 5)
Tues Oct 9	14	Audit Planning and A/P	Ch. 8		
Thurs Oct 11	15	No Class – Fall Break			
Tues Oct 16	16	Materiality and Risk	Ch. 9	8-30, 8-35	

<u>Day/Date</u>	<u>Session</u>	<u>Subject</u>	<u>Reading Assignment</u>	<u>Homework Assignment</u>	<u>Other Projects</u>
Thurs	Oct 18	17	Materiality and Risk	Ch. 9	
Tues	Oct 23	18	SOX 404 and CR	Ch. 10	9-25, 9-31, 9-34
Thurs	Oct 25	19	SOX 404 and CR	Ch. 10	
<b>READ Ch. 11 on Fraud Auditing to assist you in your case analysis of Enron</b>					
Tues	Oct 30	20	Overall Audit Plan and AP	Ch. 13	10-35, 10-36
Thurs	Nov 1	21	Auditing Sales Cycle & <b>Quiz 2 (chapters 8,9,10,13)</b>	Ch. 14	13-25, 13-28
Tues	Nov 6	22	Auditing Sales Cycle	Ch. 14	
Thurs	Nov 8	23	Audit Sampling	Ch. 15	14-30, 14-32
Tues	Nov 13	24	Audit Sampling	Ch. 15	
Thurs	Nov 15	25	Auditing Receivables	Ch. 16	15-26, 15-28, 15-30
Tues	Nov 20	26	Auditing Cash	Ch. 23	16-25, 16-27, 16-29
Thurs	Nov 22	27	No Class – Thanksgiving Break		
Tues	Nov 27	28	<b>EXAMINATION 2 (chapters 8,9,10,13,14,15,16,23)</b>		
Thurs	Nov 29	29	Completing the Audit	Ch. 24	23-22, 23-23
Tues	Dec 4	30	Internal & Govt. Auditing	Ch. 26	24-27, 24-28
Thurs	Dec 6	31	Review for the Final Examination		

Case 4: Enron (Q4 and 9)

**FINAL EXAMINATION (CUMULATIVE): Section 001 Dec 13, 8-11am, Room 2312, Williams  
Section 002 Dec 11, 8-11am, Room 2312, Williams**

**Note:** This schedule is tentative and subject to change at the instructor's discretion.