

RISK AND ASSURANCE

ACC 450

SPRING, 2008

INSTRUCTOR: John Giles

OFFICE: 3142 Nelson Hall

TELEPHONE: 515-4449

OFFICE HOURS: 10:15-12:15, MWF 1:30-2:45 MW or by appointment

COURSE PREREQUISITES

ACC 311- *Intermediate Financial Accounting II* with a grade of C- or better.

REQUIRED TEXTS

1. *Auditing and Assurance Services: An Integrated Approach*, Arens, Elder, and Beasley; Prentice Hall; 12<sup>th</sup> edition, cost approximately \$150.
2. *Auditing Cases*, Buckless, Beasley, Glover, and Prawitt; Prentice Hall, 3<sup>rd</sup> edition; cost approximately \$35.

GENERAL CONTENT

This course is designed to help you obtain an in-depth understanding of the assurance services market. This market involves the issuance of assurance reports by independent accountants on the fairness of information used to make business decisions.

In the first part of the course, we will examine external factors that impact the market for assurance services. We will begin with a discussion of factors affecting the demand for audit services (external, internal, and governmental auditing) and other assurance services. We will continue with a discussion of how the assurance services market relates to and differs from other services offered by accountants. This will include a discussion of the professional ethical rules and professional standards that regulate the assurance services market. Following that discussion, we will focus on the “end product” of the assurance market- the accountant’s assurance report

The second part of the course will highlight the underlying concepts that lead to procedures accountants perform to gather evidence used as the basis for the assurance report. This segment of the course focuses on learning how to assess a company’s core

business strategies and identifying related business risks associated with those strategies. We will use the identification of key business risks faced by companies to distinguish risks related specifically to the reliability and relevance of information used for business decision making (e.g. risks that financial statements are materially misstated) from other risks not affecting information risk. Using that understanding, we will describe evidence gathering objectives to ensure that accountants obtain sufficient, competent evidence to support assertions made by management about the reliability and relevance of the information used for decision making. We will outline internal controls developed by companies to mitigate their business risks and explain how tests of these 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 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 these 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 company. 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 communications skills.

## COURSE OBJECTIVES

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

This is an aggressive list of objectives. We will be very busy. *Our* preparation for class and *our* work with all assignments will lead us towards accomplishing these desired objectives so that you may gain the most from this course.

## ASSIGNMENTS

### HOMEWORK

Because the classroom discussions and lectures are designed to provide you with 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. The homework problems will be collected for grading at random at the beginning of the class period. They will be collected after the chapter has been completely finished in class. Eight of these problems will be a component of your final grade.

### CASES

Eight cases have been assigned for the semester. Three of these will provide you an opportunity to improve your formal business writing skills. These will be completed in groups and will require a written memorandum. For these, you will prepare a formal memorandum to a hypothetical partner. This will be formal with a “To, From, Subject” format used. You will provide a real memorandum, not simply a list of responses to the case questions. The memoranda will be typed, single spaced with a size 12 font and will not exceed two pages. Each group will submit a single response to these cases. Three other cases will require only that you answer the questions posed in the case and will be prepared individually. The Southeastern Shoe cases (10.1 and 10.2) will also be group activities.

## EXAMINATIONS AND QUIZZES

### EXAMINATIONS

There will be two examinations during the course of the semester. They will consist of multiple choice, problems and short answer essays. There will be a comprehensive final examination utilizing the same format.

### QUIZZES

During the semester there will be a series of chapter quizzes given. These will typically be multiple choice in format. Six of these will be included in your final grade.

Make-up exams and quizzes will not be given so it is critically important that you arrange to be present for each of these activities. Quizzes will generally be announced the class prior to their administration.

## CLASS PARTICIPATION

Class participation will be a factor in your final grade. Several things will comprise your participation grade. These may include in class individual or group assignments, participation in class discussions, and a simple attendance check.

### **ATTENDANCE POLICY AND POLICY ON LATE ASSIGNMENTS:**

Attendance is important to the successful completion of this course.. I highly recommend that you attend all classes. Absences are classified as either excused or unexcused. Please refer to the university policy at:

[http://www.ncsu.edu/provost/academic\\_regulations/attend/reg.htm](http://www.ncsu.edu/provost/academic_regulations/attend/reg.htm)

If you have anticipated excused absences, please discuss this with me as soon as possible. Communication between student and professor is the best method to avoid any misunderstandings. I encourage you to discuss with me any problems concerning attendance that you may have. Generally, all assignments are due as indicated by the instructor. **LATE ASSIGNMENTS WILL NOT BE ACCEPTED..** In cases of excused absences, an exception will be made to this policy as long as students document these absences. Students with excused absences will either be given alternative work, or will have their grade calculated as a percentage of a smaller number of assignments.

### **ACADEMIC INTEGRITY - HONOR CODE:**

I encourage students to work together on homework. Working together and copying from someone's work (or allowing someone to copy from your work) is not the same thing. You should never share computer files with other students. If you work together on a homework assignment, then each person should construct his or her own computer file for submission. I do not allow students to work together on research papers. If you have questions regarding what level of cooperation is allowed, please discuss these with me. Please refer to the university policy at:

<http://www.fis.ncsu.edu/ncsulegal/41.03-codeof.htm>

### **STUDENTS WITH DISABILITIES:**

If you have special needs due to a disability, you must be registered with Disability Services for Students. Please discuss your needs with me as soon as possible. I am anxious to make sure that all students have the opportunity for success in this course. Please refer to the university policy at:

[http://www.ncsu.edu/equal\\_op/dss/](http://www.ncsu.edu/equal_op/dss/)

To receive special accommodations, a student must be registered with DSS. They can be reached by calling:

(919) 515-7653 (Voice) or (919) 515-8830 (TDD).

## GRADING

Grades will be assigned on a ten (10) point scale with +/- grading utilized. Grades will be determined as follows:

1. Mid-term Examinations - two	240 points
2. Final Examination	130 points
3. Quizzes - six	60 points
4. Homework - eight	24 points
5. Business Cases	
Memo	45 points
Individual	30 points
6. Southeastern Shoe (Cases 10.1 and 10.2)	40 points
7. Participation	31 points
 Total	 600 points

## PASS-FAIL/AUDITS

If you are taking the course on a pass-fail basis, you are expected to complete all assignments, exams and quizzes. You must earn a C- or better to receive credit for the course. If you are auditing the course, you are expected to take all three examination and earn at least a C or better on two of them.

## INCOMPLETES

Incompletes are only granted for situations in which the student has completed the majority of the coursework but, due to extenuating circumstances, is unable to complete the course. An incomplete will not be granted for substandard performance.

## ASSIGNMENT SCHEDULE

DATE	READING	PROBLEMS	OTHER
1/09	Introduction		
1/14	Chapter 1	1-16;1-19	
1/16	Chapter 2	2-19;2-21	
1/25	Chapter 2		
1/28	Chapter 3	3-25;3-26;3-27;3-29	
1/30	Chapter 3		
2/04	Chapter 4	4-20;4-21;4-24	
2/06	Chapter 4		Case 3.1*
2/11	Chapter 6	6-21;6-22;6-24; 6-25;6-26	
2/13	Chapter 6		
2/18	Exam 1		
2/20	Chapter 7	7-31;7-32;7-33 7-34;7-36	
2/25	Chapter 7		Case 4.2
2/27	Chapter 8	8-30;8-34	
3/10	Chapter 8 & 9	9-25;9-31	
3/12	Chapter 10	10-34;10-35;10-38	
3/17	Chapter 10 & 11	11-26;11-29;11-30	Case 8.3
3/19	Chapter 11 & 13	13-25;13-28;13-33	
3/24	Chapter 13		Case 5.1*
3/26	Chapter 14	14-24;14-25;14-26	
3/31	Chapter 14 & 15	15-26;15-29	Case 4.6

4/02	Chapter 16	16-23;16-24;16-26	
4/07	Chapter 16		Case 10.1
4/09	Exam II		
4/14	Chapters 23 & 24	23-21; 22-23	Case 10.2
4/16	Chapter 24	24-24;24-26;24-27	
4/21	Chapter 24 & 25	25-22;25-31	Case 12.1*
4/23	REVIEW		
<b>FINAL EXAM</b>	<b>Section 001</b>	<b>Friday 5/02 @ 1:00-4:00</b>	
<b>FINAL EXAM</b>	<b>Section 002</b>	<b>Friday 5/05 @ 1:00-4:00</b>	

\*Denotes individual case assignment.