Welcome!

Welcome to Auditing I

Do you have an inquiring mind? Do you deal well with risk and uncertainty? Do you like to make analytical sense of the numbers? Can you solve puzzles? Do you like escape rooms or playing games where you solve mysteries? Do you binge watch CSI? Then auditing is the career for you! Like in an escape room, you are searching for evidence and clues so you can reach a conclusion. In this course you will learn about the tools in the auditor’s toolkit, which ones are required to be used and which ones are optional. You will become familiar with the auditor’s heartbeat – aka the audit risk model. EVERYTHING an auditor does either directly or indirectly relates to the audit risk model. The audit risk model is how an auditor determines how to get to the conclusion based on the evidence. Are you intrigued? Put your puzzle-solving caps on and dive in!

This course is required if you are (a) majoring in accounting, (b) obtaining the Information & Control Assurance certificate, (c) planning to enter the MAcct, or (d) planning to take the CPA exam.

Advice for the Auditing I Student

This course is unique in that it doesn’t focus on numbers. It focuses on critical thinking – the “objective analysis and evaluation of an issue in order to form a judgment” (Oxford Languages) as you apply auditing standards. It is grounded in theory, meaning there is always a “why” to the auditing standards. This means that this course will exercise your critical thinking muscles a lot but maybe not your calculation or “accounting” skills. The best advice I can give you is to always ask why a standard or procedure is the way it is. To be more specific, make every effort to learn the concepts early in the course. They will be the foundation for actual audit procedures, which are introduced later in the course. Second, if we are working on something really detailed, take a step back to get the big picture. What is the purpose of this procedure? What does this evidence mean? Third, use the guided notes as a supplement to the book and Moodle chapter overviews. I created these so that I could make sure we covered crucial information from each chapter. They are posted as Word files, so you can type on them in class or print them out and write on them in class. Exams and quizzes will both have free-response questions, and the notes will help. Fourth, be careful answering multiple choice questions. Absent the numerical problems in other courses, you will instead be answering text-based questions. Read. The. Question. Carefully. The number one comment I get from students when they review their exams with multiple choice questions is “wow, I knew the answer – I don’t know what I was thinking.” Finally, come see me!! You may benefit from asking me questions one-on-one or having me explain something again or in a different way. It is my job to help you learn, and I expect students to use office hours or make appointments.
WHAT You Will Learn

**ACTG 411 - Auditing I (3 Credits)**
Introduction to auditing with emphasis on the independent audit of financial statements. Coverage includes professional standards, ethics, audit risk, evidence, internal controls, procedures, opinions, operational and compliance auditing. Prereq., junior standing in Business, ACTG 321 and ACTG 306, or consent of instructor [note: I allow ACTG 306 to be taken concurrently with ACTG 411, but ACTG 321 is a firm prerequisite.]

**Accounting Program Mission Statement and Program Learning Goals (PLG)**
The undergraduate accounting program prepares students to apply accounting and business knowledge and analytical skill and tools in dynamic organizations. The accounting faculty adopted learning goals for our undergraduate accounting students. Accounting majors will:
1. Possess fundamental accounting knowledge;
2. Be effective writers;
3. Critically analyze and solve problems, using technology where appropriate;
4. Understand the importance of ethics to the accounting profession and demonstrate ethical decision-making.

**Course Objectives**
This course introduces you to U.S. audit standards and concepts key to executing audit engagements for issuer and non-issuer clients. After completing this course, you will understand the purpose of an audit and how auditors assess and respond to the risk of material misstatement and abide by professional conduct standards when conducting an audit. The course will include learning about specific substantive and control procedures and pros/cons of different types of evidence, including how audit analytics may be used in an audit.

**Course Learning Goals**
This course facilitates the program learning goals. ACTG 411 students will:
- Describe the relationship between attestation, assurance, and auditing engagements and their roles in society (PLG 1)
- Understand the role of ethics, the AICPA Code of Professional Conduct, professional skepticism, and professionalism in the profession (PLG 1, 4)
- Identify audit standard-setting bodies and the standards they issue, for both public and nonpublic audit clients (PLG 1)
- Understand criteria for obtaining a CPA license and articulate how auditors are regulated in the U.S. for both public and nonpublic audit engagements (PLG 4)
- Define the elements of audit risk, their relationship to one another, how internal and external factors impact the elements of audit risk, and the auditor’s responsibility with regards to fraud (PLG 1, 3)
- List and explain management’s financial statement assertions, relate audit objectives to management assertions, identify and associate audit procedures to management assertions, (PLG 1, 3)
- Understand the distinct steps in the audit process, including which activities are performed in different phases of the audit and how these activities relate to one another (PLG 1, 3)
- Thoroughly understand best practices for internal control and how internal controls relate to audits of both public and nonpublic entities, including the impact of ineffective controls on audit risk components (PLG 1, 3)
• Identify required audit communications and when they occur (PLG 1)
• Understand the basic types of audit opinions (PLG 1)
• Perform audit analytics procedures using Excel and/or widely used software applications (PLG 3)
• Understand and communicate current events impacting the audit profession (PLG 2, 3)

COB Mission Statement and Learning Goals
The College of Business at the University of Montana creates transformative, integrated, and student-centric learning experiences, propelling our students to make immediate and sustained impact on business and society. We nurture our students' innate work ethic to develop confident problem solvers and ethical decision makers. We pursue thought leadership and collectively create opportunities for a better life for our students, faculty, and staff. The COB has adopted the following learning goals for our undergraduate students. COB graduates will:
1. Possess integrated business knowledge for the core disciplines of Accounting, Finance, Management Information Systems, Management and Marketing.
2. Be effective communicators.
3. Possess problem-solving skills.
4. Have an ethical awareness.

Professional Exams
Material covered in this course is on the CPA exam. The material from this course is primarily in the AUD (Auditing) core section, which is required for all CPA candidates. Some course material is in the ISC (Information Systems and Control) discipline section.

HOW you will Learn

Learning Strategy
The only thing certain about the audit environment is uncertainty. Auditors at every level make judgments in an uncertain environment every day. You must learn to critically think in situations where there is no black and white answer and for you to exercise your professional skepticism. An auditor must follow auditing standards, or what may be perceived as “theoretical” concepts. It is imperative that you read the chapters in the book and chapter overviews in Moodle prior to us engaging with them in class so you can understand the auditing standards and terminology. While we will discuss these concepts in class, time does not permit covering all important concepts in the book during class. Read the chapters. Assigned homework will supplement the reading. Homework problems are different than in a calculation-based class. Instead, you are developing your critical thinking and judgment skills, and sometimes there is no obvious right answer, but instead there is a “best” answer.

Required Materials and Tools
• Laptop computer in class every day
• Smart e-Textbook and Connect:
  o e-book: Auditing & Assurance Services, 9th edition (Louwers, Bagley, Blay, Strawser, & Thibodeau). Details on accessing the book will be emailed and posted in Moodle.
  o Connect is the online system where you access online homework assignments and the e-book.
• Microsoft Excel and Word to complete some assignments.
• Audit analytics software such as IDEA, Alteryx, and/or Tableau may be used through our virtual lab or by free student downloads on your own computer. More information will be provided in class.
How Your Learning Will Be ASSESSED

Course Grading

| Assignments | 25% |
| Chapter quizzes | 25% |
| Midterm Exams (3) | 35% |
| Final Exam | 15% |
| **Total** | **100%** |

The plus/minus grading system will be used in this course. Earning the following percentages (weighted average) in the course will guarantee you the corresponding grade.

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Grading notes:
1. This course must be taken for a letter grade. CR/NCR grading is not permitted.
2. Individual quizzes, exams, and assignments are not curved. An overall end-of-course curve may be determined, solely at my discretion. Percentages are not rounded. Historically, this class has not been curved or only had a very small curve impacting those on the bubble.
3. **Course grades are not negotiable, regardless of the consequence of the grade you earn.**
4. Extra credit is not available unless I identify a unique opportunity open to all.

Attendance/Modality

This is an **in-person class**, and class sessions are not recorded or made available via videoconferencing platforms. Attending class maximizes what you learn in the course. At the start of each class, you should be logged into your e-book and Moodle. Any in-class activities done for points cannot be made up if you missed class unless it is an excused absence (see Rules of the Road below).

Chapter Quizzes

At the end of each chapter/module, except for the last chapter (11), you will complete a short quiz, for a total of 12 quizzes. The top 10 quizzes will count in this part of your grade. Makeup quizzes are not available unless you have a preapproved excused absence (see definition below).

Assignments

Routine homework will be assigned two ways: in-class submission and completion in the Connect homework system. Other project-based assignments will also help you learn the material and may be assigned individually or in groups. Unless otherwise indicated, all assignments due in class should be **typed and turned in on paper in class**. Handwritten or late assignments are not accepted.

Exams

You will take three midterm exams and one comprehensive final exam. These will include a mix of problem types. Exam dates are firm; if we are behind or ahead, I’ll alter the exam content but not dates.

Graduate Credit

If you are a graduate student, you may take this course for graduate credit. To earn the graduate credit, you will complete a project analyzing a company’s financial statements for audit risk, recommending
significant accounts, relevant assertions, and suggested audit procedures, among other things. The grading components will adjust so that assignments are worth 15% and the graduate project is worth 10% (exams and quizzes are the same weight). Please contact me by the end of week 2 if you want to do earn graduate credit in this course, after meeting with your graduate advisor for approval.

Creating an Effective LEARNING Environment

Office Hours
I have regular office hours (see top of syllabus). Sometimes work commitments necessitate changing office hours, which I post in Moodle as an announcement, via email message, and/or outside my office.

Participation
Being a good audit team member requires effective interpersonal skills. These include being prepared for meetings, speaking up in meetings, and being an active, effective listener. I expect attendance at every class (unless you are ill). We all know quality participation when we see it – being alert and on task, answering questions posed to the class, asking questions pertinent to class material, engaging in class discussions, avoiding the domination of class time or frivolous questions, and using a professional demeanor. Quality participation here relates to on-point, robust but not verbose comments and unique contributions. Don’t let one student dominate – jump in and contribute!

Professional Conduct
Auditing is a professional endeavor. You are preparing to become business professionals, and I expect professional behavior at all times. Failure to adhere to these expectations may result in being asked to leave the classroom. Professionalism includes:

- Arrive promptly and prepared
- **Stay the entire time**
- Remain on task
- Engage with the material
- Ask questions
- Be courteous
- Respect everyone, regardless of perceived differences from you

If we can all try to do these things, you and others will have a better learning experience and outcome!

Academic Honesty
Did you know that, according to research studies, students who cheat are more likely to commit fraud in their professional life? All students are expected to practice academic honesty. Specifically, you are not to use any unauthorized source in completing assignments, quizzes, or exams (such as solutions manuals, completed homework, or answers shared online) or work with other students unless it is designated as a team assignment. I periodically monitor online “sharing” (aka cheating) sites, and posting copies of or answers to homework, quizzes, or exams to these sites violates the UM Code of Conduct (see link above).
AI Tools
AI tools such as chatGPT or other large-language models may be appropriate tools for some tasks professional accountants complete. However, CPAs are prohibited from subordinating their judgment in carrying out their professional duties, no matter the source or tool. AI is not a replacement for your own thinking, research, or judgment. This class requires critical thinking and a high level of mastery of the topics. The CPA exam requires answering questions without assistance. In this class, I will strive to balance assignments that should be your own work and those that can be enhanced by using AI tools (e.g., researching topics). Even when permitted, use such tools at your own risk. They have been found to produce fictitious references and provide outdated information! If AI tools like chatGPT are permitted to be used for an assignment, then they should be used with caution and proper citation.

Email Communication
You should treat our email correspondence as if I was your client. All emails should be professional in tone and content, including a proper salutation and signature and professional writing skills (grammar, spelling, punctuation, capitalization). If you email me during the week, you will almost always receive a response within 24 hours. Emails received on the weekend will be responded to on Monday.

Work Product Pride
Auditors have their work reviewed by supervisors, managers, one or more partners, intra-firm quality control departments, peer reviewers, and PCAOB inspectors. You should produce work products that are neat, concise, easy to read, and complete. Technical work products should reference authoritative literature, and where appropriate, contain a clearly marked purpose and conclusion.

Rules of the Road (all the policy stuff)

Adds/Drops/Incompletes
- **February 7th** is the last day to drop the course without instructor and advisor approval.
- **March 28th** is the last day to drop the course without instructor, advisor, and dean approval. After March 28th, I will not recommend petition approval unless you meet the requirements in the UM catalog, which states, “During this timeframe, students may drop courses only by petition...Note that not all petitions are approved, and that documented justification is required. Some examples of documented circumstances that may merit approval are: accident or illness, family emergency, or other circumstances beyond the student's control” (emphasis added). I follow this UM policy. Please note that poor academic performance and its consequences are not valid reasons for petition approval.
- **May 3rd** is the last day UM processes drop requests. No exceptions.
Policy per the UM catalog: “The incomplete is not an option to be exercised at the discretion of a student. In all cases it is given at the discretion of the instructor within the following guidelines: A mark of incomplete may be assigned to students when: (1) the student has regularly attended and completed passing work for most of the semester, and (2) for reasons beyond the student's control and which are
acceptable to the instructor, the student has been unable to complete the requirements of the course on time. Negligence and indifference are not acceptable reasons.”

Excused absences
Absences are “excused” ONLY in these very narrow and specific situations, and then only if notification is made in a timely manner: (1) participation in University-sponsored activities with documentation, (2) health emergencies, (3) family emergency, (4) civil service such as military duty and jury duty, (4) documentation of a job interview during class, (5) religious observance or cultural/ceremonial events, and (6) other emergencies deemed appropriate by the instructor. In all cases, you must notify me prior to the class unless the emergency makes such notification infeasible. Most reasons students miss class do not fit this excused absence definition. For example, personal or family travel, oversleeping, parking difficulties, traveling for work, or taking care of other personal business are not excused absences. Note that I do not provide makeup quizzes and exams, nor allow any late homework submissions unless there is a pre-approved excused absence.

Exam Policies
Exams have a singular purpose – to assess a student’s mastery of the material. To ensure this is a fair process, I have policies that are strictly enforced so that all students are tested on a level playing field.

- **When** - Exams must be taken during the regular class period. Makeup exams are not administered unless you have an excused absence (see above).
- **Where** - During the exam, **you may not leave the room** for any reason. Doing so results in the conclusion of your exam. Please take care of personal business prior to class. If you have a medical condition that makes this difficult, please consult me prior to the exam.
- **Devices** - Electronic dictionaries, translators, cell phones, tablets, laptops, notes, iPods, or other unauthorized assistive items are not allowed. Any watches that look like an iWatch or other smart device must be put in your backpack. There is a clock in the room for you to watch your time allotment. You may not listen to audio devices during an exam. Foam earplugs are fine.
- **Answer Sheets** - If a bubble form is required, I will provide it. The bubble form must be fully completed prior to the exam end time. For these questions, only answers on the bubble form are graded, so complete it with care to avoid lost points from lack of bubbling in an answer or bubbling an unintended answer.
- **Disclosure** - You may not disclose any information about the exam to a student who has not yet taken the exam. This is considered an act of academic misconduct and will result in both parties receiving a zero on the exam.

Accommodations
The University of Montana assures equal access to instruction through collaboration between students with disabilities, instructors, and the Office of Disability Equity (ODE, [http://www.umt.edu/disability](http://www.umt.edu/disability)). If you have a documented disability, you may request reasonable modifications by contacting me. “Reasonable” means no fundamental alterations of academic standards or retroactive modifications. If you will be requesting an accommodation for a disability, you must provide me with a current letter from ODE early in the semester. Upon providing this documentation, we can meet to discuss the specific accommodations that are reasonable. Please know that I make every effort to provide accessible content
for this course. If you have any issues opening, reading or viewing content, please let me know and I will get it remediated as quickly as possible

**Diversity, Equity, and Inclusion**
I desire to create a welcoming learning environment in which differences are celebrated and everyone is valued, respected, and able to reach their full potential. I respect all students’ backgrounds and will thoughtfully work to avoid discrimination based on race, color, national origin, ancestry, religion, creed, sex, age, marital or familial status, physical or mental disability, sexual orientation, gender identity, or gender expression. I will choose course assignments, activities, and readings that are respectful of and responsive to diversity, equity, and inclusion.

**Well-Being Resources**
Academic performance is tied to overall student well-being, underperformance in a class can be due to personal and life situations, some completely unrelated to school. UM provides a wide range of services to support students experiencing challenges such as meeting basic needs, maintaining mental or physical health, sustaining financial means, realizing academic potential, and more. Please visit the [Well-Being Student Resources page](https://www.umt.edu/well-being/student-resources/).