Instructor: Carl Pacini, Ph.D., J.D., C.P.A., C.F.S.A.
Office: Academic Building 3 – Room 163
Phone: (239) 590-7344 (Office)
Course website: http://ruby.fgcu.edu/courses/cpacini
E-mail: cpacini@fgcu.edu
Office Hours: Mondays & Wednesdays: 10:00am–11:30 am
Tuesdays & Thursdays 1:00 pm – 2:00 pm
Classroom: Griffin Hall —Room 215
Class Times: Thursdays 5:00 pm – 7:45 pm
Last Day to Withdraw: March 28, 2004
Final Exam Date: TBA
Required Materials:
1) Modern Auditing, 7th edition, by Boynton, Johnson & Kell
3) Peach Blossom Cologne Company-A Short Audit Case, 3rd edition, by Jack Paul
4) Outside articles available in bookstore.
Suggested Materials: CPA Review Manual For Auditing
Prerequisite: ACG 4632 or its equivalent
YOU ARE EXPECTED TO READ AND UNDERSTAND THE CONTENTS OF THIS SYLLABUS. IT IS VERY POSSIBLE THAT I COULD ASK YOU AN EXAM QUESTION THAT IS BASED ON MATERIAL IN THIS SYLLABUS.

Course Background:

Accounting plays a central role in (using a Strategic Audit Systems Approach) the efficient allocation of resources in market-based economies. By adding credibility to accounting measurements and disclosures, auditing has for centuries made it possible for accounting to play such a key role. Today’s global economy and the business organizations operating within it, however, have become so complex and interdependent that new approaches to auditing must be developed.

The traditional “risk based” audit focuses the auditor's assessment of risk through a narrow “accounting lens”-a lens that directs his or her attention, and his or her related assessment and testing activities to the nature of account balances, classes of transactions, and properties of the client’s accounting system for the purpose of assessing the risk that financial statements are materially misstated. This “bottom up” focus can inhibit the auditor’s development of the level of business understanding needed to effectively judge the risk of material misstatements in the financial statements.

The use of a “top down,” aggregative, strategic systems lens increases the likelihood that the auditor will have obtained a sufficient understanding of the client’s business and industry for the purpose of conducting a financial statement audit. The strategic systems audit approach directs the auditor’s attention to the client’s system dynamics: its business strategy and the economic niches it has chosen to occupy; the strengths of its connections to outside economic agents, including customers, suppliers, investors, and regulators; and the external and internal forces that threaten the viability of its chosen niches and the achievement of its objectives.
The importance of the strategic systems audit approach is increased by two recent events: implementation of SAS 99 – Consideration of Fraud in a Financial Statement Audit and passage of the Sarbanes-Oxley Act. This course employs various learning approaches to facilitate the student’s ability to audit an entity in a holistic manner rather than as just another set of transactions.

Course Objectives:
- To consider the planning process and the effects of risk assessment on the auditing process.
- To provide an understanding of auditing programs and procedures concerned with obtaining evidence to support the validity and propriety of the accounting treatment of transactions and balances.
- To gain a basic understanding of the auditor’s role in detecting and preventing fraudulent activities by management, employees, and others, including terrorists.
- To apply auditing concepts and procedures to real cases to obtain a better understanding of auditing practices.
- To contribute to understanding the effects of technology on the audit.
- To prepare each student for the CPA, CMA, CIA, CFSA, or CFE exams.
- To gain an appreciation of the Internet and other databases for auditors.
- To gain an understanding of the strategic systems audit Approach.
- To learn how to think like a forensic investigator not just a traditional auditor.

Program Outcomes:
- This course is designed to help the student achieve the following outcomes:
  - To encourage and promote critical thinking, a skill.
necessary to succeed today as an accounting professional. This means each student should be able to comprehend an unfocused set of facts, identify, and if possible, anticipate problems, and find acceptable solutions.

To improve the student’s communication skills. Each student should be able to locate, obtain, and organize information from both human and electronic sources. Each student will also learn to defend his or her views through written and oral presentations.

To enhance the student’s interpersonal skills. Cooperative learning or working in teams is one key way of promoting achievement of this outcome.

Core Competencies: In addition to the program outcomes noted above, this graduate course promotes the following core competencies:

- Acquisition of a global perspective by each student to help their future employers (or their own businesses) better compete in international and domestic markets;
- Development of an ability to formulate decisions that integrate practical, economic and ethical considerations; and
- Appreciation of the vagaries and uncertainties of real life business situations and the importance of life-long learning.

ATTENDANCE AND PARTICIPATION

Attendance and completion of assignments are considered minimum requirements for all students. Penalties may be assessed in the final determination of your course grade for unreasonable deficiencies in either or both of these requirements. The penalty may take the form of a reduction in letter grade, the assignment of a failing grade or a grade of incomplete. This penalty assessment policy applies regardless of performance on written examinations and the form of the penalty is at the discretion of the instructor.

Please note that 70 points toward your final grade involves attendance. Each student starts the semester with 70 points for attendance. Each time you miss class after one absence you lose 7 points from your attendance grade. The instructor retains the discretion to approve excuses on a case-by-case basis. If you miss class for a medical reason, do not ask the instructor to be excused without written documentation from a medical doctor or nurse practitioner. Participation in FGCU team athletic events is also a reasonable excuse for missing class.
Grading : Each student starts this class with an A. It is your job to keep it.

Two exams will be given in this course. One exam will consist of objective questions and possibly short-answer essays. The second will consist of essay questions on articles discussed and analyzed in class. Each student’s grade will be based on the following:

Exam 1  125 points
Exam 2  125 points
Attendance  70 points
Team Case Presentation  100 points
Case Homework  60 points
Peach Blossom Assignments  40 points
(due dates given throughout semester)
Class Participation (article presentation)  80 points
TOTAL  600 points

The grading scale for final grades is:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Total Points</th>
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<tbody>
<tr>
<td>A</td>
<td>552-600</td>
</tr>
<tr>
<td>A-</td>
<td>534-551</td>
</tr>
<tr>
<td>B+</td>
<td>522-533</td>
</tr>
<tr>
<td>B</td>
<td>498-521</td>
</tr>
<tr>
<td>B-</td>
<td>474-497</td>
</tr>
<tr>
<td>C+</td>
<td>462-473</td>
</tr>
<tr>
<td>C</td>
<td>420-461</td>
</tr>
<tr>
<td>D</td>
<td>360-419</td>
</tr>
<tr>
<td>F</td>
<td>Below 360</td>
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Any grade challenge to a test, homework assignment or project must be in writing to be considered. An oral or verbal grade challenge will not even be considered. A written grade challenge must clearly describe what is being challenged and provide a rational basis for the challenge.

Make-up exams will not be given without the instructor’s approval. If you miss an exam without a reason approved by the instructor, you may receive a “O.” The instructor’s discretion is final. If you hand in any assignment late you may have points deducted from your grade.

Please bear in mind that you are responsible for all material assigned even if it is not covered in a class lecture or is not covered in the textbook.
Case Homework Assignments: Numerous cases from *Contemporary Auditing: Issues and Cases* will be covered in this course. Each student is responsible for writing out the answers to assigned questions for class. Your answers may be collected by the instructor at any time. The maximum number of points for any given assignment is 10. You may receive up to 60 points from case homework assignments. The cases that are the subject of homework assignments are listed in the Schedule of Assignments. **ALL HOMEWORK ASSIGNMENTS ARE TO BE WORD-PROCESSED. HANDWRITTEN ASSIGNMENTS WILL NOT BE ACCEPTED.**

Article Summary and Discussion: Each article listed in the Seminar Reading Assignments below will be outlined or summarized by a member of the class. The person assigned to each article will prepare a summary of the article, including discussion questions, and lead the discussion in class. Discussion leaders must lead their discussion(s) from the front of the room. Please make a copy of your outline or summary for each person in the class. Being an article discussion leader counts heavily towards your class participation grade (80 points).

Peach Blossom Cologne Co. Homework Assignment: Two out of three assignments from the Peach Blossom Cologne Company case are required as part of the coursework. These assignments are to be prepared on a team or individual basis. Each assignment is worth 20 points for a total of 40 points.

Case Presentation: Each student is to select a partner or partners (a team cannot exceed 3 persons) with whom he or she will present a case during this course. The presentation should include a discussion of the pertinent facts, important issues, and suggested solutions to assigned questions. The case presentation is worth 100 points. It is your responsibility to select a partner and inform the instructor which case your team wishes to present. The case selected must be one that is assigned for homework (in the Schedule
of Assignments). Each team must submit a written case analysis to the instructor (it should include the contents of the presentation). Each team is encouraged but not required to use multi-media techniques such as Power Point, etc., in their presentation. Case presentations will start at the beginning of the semester and continue until every team has presented. The object is to spread the student’s assignments throughout the semester to avoid a crunch at the end and to provide you feedback throughout the course.

### Schedule of Assignments:

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>QUESTIONS</th>
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</thead>
<tbody>
<tr>
<td><strong>1. Auditing the Revenue Cycle – Ch. 14</strong></td>
<td>14-22, 14-23, 14-24 &amp; 14-25</td>
</tr>
<tr>
<td>Case-F &amp; C International</td>
<td>All</td>
</tr>
<tr>
<td>Case-Jamaica Water Properties</td>
<td>All</td>
</tr>
<tr>
<td>Peach Blossom Cologne Company: Assignment #3</td>
<td>Required Exercises–Part C, numbers 1 &amp; 2</td>
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<tr>
<td><strong>2. Auditing the Production and Personal Services Cycle – Ch. 16</strong></td>
<td>16-24, 16-25 &amp; 16-26</td>
</tr>
<tr>
<td>Case-Doughtie’s Foods</td>
<td>All</td>
</tr>
<tr>
<td>Case-Health Management, Inc.</td>
<td>All</td>
</tr>
<tr>
<td><strong>3. Auditing the Investing &amp; Financing Cycle-Ch. 17</strong></td>
<td>17-22, 17-23 &amp; 17-27</td>
</tr>
<tr>
<td><strong>4. Auditing the Expenditure Cycle-Ch. 15</strong></td>
<td>15-18, 15-19, 15-20 &amp; 15-21</td>
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<td>(pp. 550-579)</td>
<td></td>
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<tr>
<td>Case-Livent, Inc.</td>
<td>All</td>
</tr>
<tr>
<td>Case-Oak Industries</td>
<td>All</td>
</tr>
<tr>
<td>Peach Blossom Cologne Company: Assignment #6</td>
<td>Required Exercises numbers 1 &amp; 2</td>
</tr>
</tbody>
</table>
5. Auditing Investments & Cash Balances – Ch. 18  
   18-26, 18-27 & 18-28
   - Case-Avis Love, Staff Acct.  
   - Case-Capital Blanc Corp.  
   Peach Blossom Cologne Company:  
      Assignment #2  
      Required Exercises numbers 1 & 2

6. Completing the Audit/Postaudit Responsibilities – Ch. 19  
   19-22, 19-23 & 19-24
   - Case-Triton Energy Ltd.  

EXAM 1 – CHAPTERS 14, 15, 16, 17, 18, 19

SEMINAR READING ASSIGNMENTS

Computer Forensics


Digital Analysis (Benford's Law) and Audit Fraud Detection Procedures


**Auditor Communications: Inquiries, Interviews, and Negotiations**


**Continuous Auditing**


**Disaster Recovery**


**Auditing the Transaction Cycles**


Impact of Auditor Attributes on the Audit


Internal Auditing & Technology


ETHICS : Ethics have become an extremely important topic in today’s environment. An accountant’s only product is his/her service which is measured by his/her integrity and professionalism. It is expected that no academic dishonesty will occur. Cheating on any assignment will be pursued
according to the appropriate procedures outlined in the Student Conduct Code. Cheating includes plagiarism on any of the assigned projects.

All students are expected to demonstrate honesty in their academic pursuits. The university policies regarding issues of honesty can be found under the Student Code of Conduct on page 11, and under Policies and Procedures on pages 18-24 of the Student Guidebook. All students are expected to study this document which outlines their responsibilities and consequences for violations of the policy.

The syllabus may be changed at the instructor's discretion as circumstances may warrant.

DISABILITY ACCOMMODATION SERVICES

Florida Gulf Coast University, in accordance with the Americans with Disabilities Act and the university’s guiding principles, will provide classroom and academic accommodation to students with documented disabilities. If you need to request accommodations in this class due to a disability, or you suspect that your academic performance is affected by a disability, please see me or contact the Office of Multi-Access Services. The Office of Multi-Access Services is located in the Student Services Building, Room 214. The phone number is (239) 590-7925.