

## **SYLLABUS v14**

**Ph. D. Seminar in Auditing**  
Rutgers, The State University of New Jersey  
Graduate School of Management

### **Auditing Concepts and Standards: Spring 2017**

Prof. Miklos A. Vasarhelyi Washington Park room 202  
Class Hours: Tuesdays 10:00 - 12:50  
Office Hours: Before and after class (and by appointment)  
Best method of contact: e-mail [miklosv@andromeda.rutgers.edu](mailto:miklosv@andromeda.rutgers.edu)  
Teaching Assistant: Andrea Rozario [ochoaandrea09@gmail.com](mailto:ochoaandrea09@gmail.com)

### **Survey of AIS Research & Audit Research Seminar**

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### **Course Materials**

Journal Articles: See Reading List  
Other References: AICPA, **Codification of Statements on Auditing Standards.**

Any good basic Auditing book (e.g. Arens; Robertson)

### **Pre-Requisites**

Participants in this seminar are assumed to have had basic accounting (financial and managerial), auditing and some research methodology. If this is not the case a special supplementary reading list will be prepared with the instructor

### **Requirements**

Classroom participation, paper presentations, mini-project, and a final exam will serve as the main medium of instruction in this course. Students are expected to have read all required assignments and lead the discussion in the papers they are assigned to during the semester.

Each research paper will have a "discussant" assigned who will be responsible for presenting the paper as if he/she was the author and defend it as well as analyze it. Discussants are to prepare a written critique and pass it along to the other class participants and the instructor 2 days prior or at the beginning of the class. The discussant should also perform a literature search of related papers and be able to present it in class. Other participants should be prepared for the discussion as they may be called to support (or replace) the discussant.

Seminar grade will be assigned based on the discussions presented, on the participation in the seminar, on the mini-project, and on the final exam which will be in the form and content of a field exam.

All students are **required also to participate** in the Accounting Research Forum being held on Fridays am. Students are expected to prepare and ask questions to the presenter and also hand in these questions to the instructor.

The mini-project is of the form of a term-paper and students may choose to replicate an experiment, examine in the research format a particular audit issue, use an empirical database or any other relevant project approved by the instructor. The objective of the mini-project is to provide the participants with an experience in audit research. The mini-project is due the last day of classes and projects not received at the beginning of that class will be assigned a failing grade.

## Course Outline

### Legend

<b>Aud.</b>	Auditing: A Journal of Practice and Theory
<b>JAR</b>	Journal of Accounting Research
<b>TAR</b>	The Accounting Review
<b>JofA</b>	Journal of Accountancy
<b>AOS</b>	Accounting, Organization & Society
<b>JAL</b>	Journal of Accounting Literature
<b>JAE</b>	Journal of Accounting and Economics
<b>JAAF</b>	Journal of Accounting, Auditing, and Finance
***	Required Readings Prior to class
**	Strongly Recommended Readings for Research
*	Recommended Readings for Research

### 1. Tuesday January 17, 2017

#### Introduction

AICPA ASEC mapping document

\*\*\* Stillwell & Elliott, "A Model for Expanding the Attest Function, " *Auditing: A Journal of Theory and Practice*, May 1985: 66-78.

### 2. Tuesday January 24, 2017

#### Audit Quality

\*\*\* Jaime Schmidt and Michael S. Wilkins (2013) Bringing Darkness to Light: The Influence of Auditor Quality and Audit Committee Expertise on the Timeliness of Financial Statement Restatement Disclosures. *AUDITING: A Journal of Practice & Theory*: February 2013, Vol. 32, No. 1, pp. 221-244.

\*\*\* John Daniel Eshleman and Peng Guo (2014) Do Big 4 Auditors Provide Higher Audit Quality After Controlling for the Endogenous Choice of Auditor?. *AUDITING: A Journal of Practice & Theory* In-Press.

\*\*\* DeFond, M. and Zhang, J., 2014. A review of archival auditing research. *Journal of Accounting and Economics*, 58(2), pp.275-326.

\*\* Clive Lennox, Xi Wu, and Tianyu Zhang (2014) Does Mandatory Rotation of Audit Partners Improve Audit Quality?. *The Accounting Review* In-Press.

### **Other Readings**

Sharad C. Asthana and Jeff P. Boone (2012) Abnormal Audit Fee and Audit Quality. *AUDITING: A Journal of Practice & Theory*: August 2012, Vol. 31, No. 3, pp. 1-22.

Dopuch, N., King, R., The Effects Of Lowballing On Audit Quality: An Experimental Markets Study, *Wi*, 96, 45, 68, Jaaf

### **PCAOB inspections**

\*\*\* Daniel Aobdia (2015) The validity of Publicly Available Measures of Audit Quality. Evidence from PCAOB Inspection data, SSRN-id2629305

\*\*\* Albert L. Nagy (2014) PCAOB Quality Control Inspection Reports and Auditor Reputation. *AUDITING: A Journal of Practice & Theory*: August 2014, Vol. 33, No. 3, pp. 87-104.

\*\*\* Gipper et al paper “**Public Audit Oversight and Reporting Credibility: Evidence from the PCAOB Inspection Regime**” (2015).

\*\* HakJoon Song and Zhongxia (Shelly) Ye (2014) The Impact of PCAOB Reports Containing Audit Deficiencies on Non-U.S. Audit Firms: Initial Evidence. *Current Issues in Auditing*: June 2014, Vol. 8, No. 1, pp. A12-A25.

\*\*\* John L. Abernathya, Michael Barnes, and Chad Stefaniak (2013) “A Summary of 10 Years of PCAOB Research: What Have We Learned?” *Journal of Accounting Literature* 2013, Vol. 32, pp. 30 - 60

### **3. Tuesday January 31, 2017**

#### **Continuous audit**

\*\*\* Alles, Kogan, & Vasarhelyi, Feasibility and Economics of Continuous Assurance, *Auditing: A Journal of Theory and Practice*, March 2002: 125-138.

\*\*\* Vasarhelyi & Halper 1991 “The Continuous Audit of Online System” *AUDITING: A Journal of Practice & Theory* 10 (1): 110 – 125

\* Bruce I. Davidson, Naman K. Desai, and Gregory J. Gerard (2013) The Effect of Continuous Auditing on the Relationship between Internal Audit Sourcing and the External Auditor's Reliance on the Internal Audit Function. *Journal of Information Systems*: Spring 2013, Vol. 27, No. 1, pp. 41-59.

\*\*\* Vasarhelyi, M.A., Alles, M.G. and Kogan, A., 2004. Principles of analytic monitoring for continuous assurance. *Journal of emerging technologies in accounting*, 1(1), pp.1-21.

\*\*\* Alles, M., Brennan, G., Kogan, A. and Vasarhelyi, M.A., 2006. Continuous monitoring of business process controls: A pilot implementation of a continuous auditing system at Siemens. *International Journal of Accounting Information Systems*, 7(2), pp.137-161.

\*\* Vasarhelyi, M.A., Alles, M. and Williams, K.T., 2010. Continuous Assurance for the Now Economy. A Thought Leadership Paper for the Institute of Chartered Accountants in Australia. Queensland, Australia: Institute of Chartered Accountants.

### **Other readings**

\* Alles, Kogan, & Vasarhelyi, 2013 "Collaborative Design Research: Lessons From Continuous Auditing" International Journal of Accounting Information Systems, June 2013, Vol. 14, Issue 2, pp. 104 – 112

\* J.Woodroof & D.W. Searcy 2001 "Continuous Audit: Model Development and Implementation within a Debt Covenant Domain" International Journal of Accounting Information, September 2001, Vol. 2, Issue 3, pp. 169 – 191

\* Elliott And Jacobson, "The Evolution of the Knowledge Professional," Accounting Horizons, Vol 16, No. 1, March 2002, pp. 69-80.

\* Elliot, "Twenty first Century Assurance," *Auditing: A Journal of Theory and Practice*, March 2002: 140-146.

\* Alles, Kogan & Vasarhelyi, "Who Guards the Guards? Restoring Auditor Credibility: The Black Box Log File Proposal," working paper July 2002, Rutgers Business School.

\* Alles, Kogan & Vasarhelyi, "Should Auditing Be Completely Separated from Consulting in the Post-Enron Era?," working paper August 2002, Rutgers Business School.

## **4. Tuesday February 7, 2017(Guest lecturer Helen Brown-Liburn)**

### **Behavioral/Judgment Issues**

\*\*\* Griffith, E. E., Hammersley, J. S., Kadous, K., & Young, D. (2015). Auditor mindsets and audits of complex estimates. *Journal of Accounting Research*, 53 (1), 49-77.

\*\*\* Lombardi, D. and H. L. Brown-Liburd (2017). Using an expert system to debias the dilution effect in auditor judgment. Working paper, Villanova University.

\*\*\* Biggs & Mock, "An Investigation of Auditor Decision Processes in the Evaluation of Internal Controls and Audit Scope Decisions. (1983). *Journal of Accounting Research* 234-255.

\*\* McDANIEL, L. S., & Hand, J. R. (1996). The Value of Experimental Methods for Practice - Relevant Accounting Research\*. *Contemporary Accounting Research*, 13(1), 339-351.

\*\* Nelson, M., & Tan, H. T. (2005). Judgment and decision making research in auditing: A task, person, and interpersonal interaction perspective. *Auditing: A Journal of Practice & Theory*, 24(s-1), 41-71.

### **Other Readings**

\*Malsch, B., & Salterio, S. E. (2015). Doing Good Field Research": Assessing the Quality of Audit Field Research. *Auditing: A Journal of Practice and Theory*.

\*Trotman, K. T., Tan, H. C., & Ang, N. (2011). Fifty - year overview of judgment and decision - making research in accounting. *Accounting & Finance*, 51(1), 278-360.

\*Power, M. K., & Gendron, Y. (2015). Qualitative research in auditing: A methodological roadmap. *Auditing: A Journal of Practice & Theory*, 34(2), 147-165.

\*Griffith, E. E., Kadous, K., & Young, D. (2015). How Insights from the " New" JDM Research Can Improve Auditor Judgment: Fundamental Research Questions and Methodological Advice. *Auditing: A Journal of Practice and Theory*.

\*Peecher, M. E., & Solomon, I. (2001). Theory and experimentation in studies of audit judgments and decisions: Avoiding common research traps. *International Journal of Auditing*, 5(3), 193-203.

\*Kennedy, J., & Peecher, M. E. (1997). Judging auditors' technical knowledge. *Journal of Accounting Research*, 35(2), 279-293.

\*Koonce, L., Anderson, U., & Marchant, G. (1995). Justification of decisions in auditing. *Journal of Accounting Research*, 369-384.

\*Hogarth, R. M. (1991). A Perspective of Cognitive Research in Auditing. *The Accounting Review*, 66 (2): 277-290.

\*Brown, C. E. & Solomon, I. Configural Information Processing in Auditing: The Role of Domain-Specific Knowledge. (1991). *The Accounting Review*, 66(1): 100-119.

\*Gibbins, "Propositions about the Psychology of Professional Judgment in Public Accounting, (1984) *Journal of Accounting Research*, 103-125.

## 5. Friday February 17, 2017 (8:00am-10:30am)

### Analytic Methods in Audit

\*\*\* deniz Applebaum, Alexander Kogan and miklos a vasarhelyi *Analytics for External Auditing: A Literature Review*, working paper, CarLab, Rutgers Business School, 2016.

\*\*\* Alexander Kogan, Michael G. Alles, Miklos A. Vasarhelyi, and Jia Wu (2014) *Design and Evaluation of a Continuous Data Level Auditing System. AUDITING: A Journal of Practice & Theory In-Press.*

\*\*\* DeFond, M., & Zhang, J. (2014). A review of archival auditing research. *Journal of Accounting and Economics*, 58(2), 275-326.

\*\*\* Applebaum, D., Kogan, A., and Vasarhelyi, M.A. *Big Data and Audit Analytics in the modern audit engagement: Research needs*, *Forthcoming Auditing a Journal of Practice and Theory*, 2017

\*\*\* Glover, S. M., Prawitt, D. F., & Drake, M. S. (2014). Between a Rock and a Hard Place: A Path Forward for Using Substantive Analytical Procedures in Auditing Large P&L Accounts: Commentary and Analysis. *Auditing: A Journal of Practice & Theory*, 34(3), 161-179.

### **Other readings**

\* Audit analytics mapping Framework, AICPA ASEC committee.

## 6. Tuesday February 21, 2017

### Internal Controls / RADAR project 1 Analytics and detecting Internal controls

\*\*\* Lynford Graham and Jean C. Bedard (2013) *The Influence of Auditor and Client Section 404 Processes on Remediation of Internal Control Deficiencies at All Levels of Severity. AUDITING: A Journal of Practice & Theory: November 2013, Vol. 32, No. 4, pp. 45-69.*

\*\*\* Kinney, Research Opportunities in Internal Control Quality and Quality Assurance, *Auditing: A Journal of Theory and Practice*, Supplement 2000.

\*\*\* Vishal Munsif, K. Raghunandan, Dasaratha V. Rama (2012) Internal Control Reporting and Audit Report Lags: Further Evidence. *AUDITING: A Journal of Practice & Theory*: August 2012, Vol. 31, No. 3, pp. 203-218.

\*\*\* Meservy, Bailey & Johnson, "Internal Control evaluation: A Computational Model of the Review Process," *Auditing: A Journal of Theory and Practice*, Fall 1986: 44-74.

### **Other readings**

\* Krishnan 2005 "Audit Committee Quality and Internal Control: An Empirical Analysis" *The Accounting Review*, April 2005, Vol. 80, No. 2, pp. 649 - 675

\* Ashton, "An Experimental Study of Internal Control Judgments," *Journal of Accounting Research*, Spring 1984: 143-157.

\* Trotman, Yetton & Zimmer, "Individual and Group Judgments of Internal Control Systems," *Journal of Accounting Research*, Spring 1983.

\* Hoitash, Hoitash & Bedard, "Corporate Governance and Internal Control over Financial Reporting: A Comparison of Regulatory Regimes," *The Accounting Review*, 2009, Vol.84, No.3, pp.839-867.

## **7. Tuesday February 28, 2017**

### **Audit Risk**

\*\*\* Kendall Bowlin (2011) Risk-Based Auditing, Strategic Prompts, and Auditor Sensitivity to the Strategic Risk of Fraud. *The Accounting Review*: July 2011, Vol. 86, No. 4, pp. 1231-1253.

\*\*\* Jiambalvo & Waller, "Decomposition and Assessments of Audit Risk," *Auditing: A Journal of Theory and Practice*, Spring 1984: 1-16.

\*\*\* Houghton, C. W. & Fogarty, J. A., "Inherent Risk," *Auditing: A Journal of Practice & Theory*, Spring 1991, Vol. 10, No. 1, pp. 1-21.

\*\*\* Alencar, P. S., Boritz, J. E., & Carnaghan, C. (2014). Business Modeling to Improve Auditor Risk Assessment: An Investigation of Alternative Representations. *Journal of Information Systems*.

\*\*\* Dennis, S. A., & Johnstone, K. M. (2016). A Field Survey of Contemporary Brainstorming Practices. *Accounting Horizons*, 30(4), 449-472.

### **Other reading**

\*\* Yezen H. Kannan, Terrance R. Skantz, and Julia L. Higgs (2014) The Impact of CEO and CFO Equity Incentives on Audit Scope and Perceived Risks as Revealed Through Audit Fees. *AUDITING: A Journal of Practice & Theory*: May 2014, Vol. 33, No. 2, pp. 111-139.

\*\* Hironori Fukukawa and Theodore J. Mock (2011) Audit Risk Assessments Using Belief versus Probability. *AUDITING: A Journal of Practice & Theory*: February 2011, Vol. 30, No. 1, pp. 75-99.

\*\* Joost van Buuren, Christopher Koch, Niels van Nieuw Amerongen and Arnold M. Wright The Use of Business Risk Audit Perspectives by Non-Big 4 Audit Firms, *AUDITING: A Journal of Practice & Theory* Aug 2014, Vol. 33, No. 3 (August 2014) pp. 105-128

\*\* Boyle, D. M., DeZoort, F. T., & Hermanson, D. R. (2015). The Effects of Internal Audit Report Type and Reporting Relationship on Internal Auditors' Risk Judgments. *Accounting Horizons*, 29(3), 695-718.

\* Holt, D. L. & Morrow, P.C., "Risk Assessment Judgments of auditors and Bank Lenders: a comparative analysis of conformance to Bayes' theorem," *Accounting Organizations & Society*, Vol. 17, Number 6, August 1992, pp. 549-560.

\* Wilson & Glezen, "Regression Analysis in Auditing: A Comparison of Alternative Investigation Rules," *Auditing: A Journal of Practice and Theory*, Spring 1989, pp. 90-100.

\* Luehlfing, Ms, Copley, Pa, An Examination Of The Relationship Between Audit-Related Risks And The Second Partner Review, *Wi*, 95, 43, 50, Jaaf

## 8. Tuesday March 7, 2017

### Audit Evidence

\*\*\* Andre´s Guiral, Emiliano Ruiz, and Waymond Rodgers (2011) To What Extent Are Auditors' Attitudes toward the Evidence Influenced by the Self-Fulfilling Prophecy?. *AUDITING: A Journal of Practice & Theory*: February 2011, Vol. 30, No. 1, pp. 173-190.

\*\*\* Yoon, K., Hoogduin, L., & Zhang, L. (2015). Big Data as complementary audit evidence. *Accounting Horizons*, 29(2), 431-438.

\*\*\* Bennett, G. Bradley, and Richard C. Hatfield. "The effect of the social mismatch between staff auditors and client management on the collection of audit evidence." *The Accounting Review* 88.1 (2012): 31-50.

\*\*\* Trotman, Ken T., and William F. Wright. "Triangulation of audit evidence in fraud risk assessments." *Accounting, Organizations and Society* 37.1 (2012): 41-53

\*\*\* Brown-Liburd, H., & Vasarhelyi, M. A. (2015). Big Data and Audit Evidence. *Journal of Emerging Technologies in Accounting*, 12(1), 1-16.

### Other readings

Mock & Wright, "Evaluating the Effectiveness of Audit Procedures," *Auditing: A Journal of Theory and Practice*, Fall 1982: 33-44.

Rajendra P. Srivastava, Theodore J. Mock, Karen V. Pincus, and Arnold M. Wright (2012) Causal Inference in Auditing: A Framework. *AUDITING: A Journal of Practice & Theory*: August 2012, Vol. 31, No. 3, pp. 177-201.

Hilas & Ashton, "Audit Detection of Financial Statement Errors," *The Accounting Review*, October 1982: 751-765.

Johnson, "Auditor Memory for Audit Evidence: Effects of Group Assistance, Time Delay, and Memory Task," *Auditing: A Journal of Theory and Practice*, Spring 1994, pp. 36-56.

## Tuesday March 14, 2017 Spring break

## 9. Tuesday March 21, 2017

### Analytical Review

\*\*\* Benjamin L. Luippold and Thomas E. Kida (2012) The Impact of Initial Information Ambiguity on the Accuracy of Analytical Review Judgments. *AUDITING: A Journal of Practice & Theory*: May 2012, Vol. 31, No. 2, pp. 113-129.

\*\*\* Allen, Beasley and Branson, Improving Analytical Procedures: A Case of Using Disaggregate Multilocation Data, *Auditing: A Journal of Theory and Practice*, Fall 1999.

\*\*\* Kinney, "Attention-Directing Analytical review Using Accounting Ratios: A Case Study, *Auditing: A Journal of Theory and Practice*, Spring 1987, 59.73.

\*\*\* Jans, Mieke, Michael G. Alles, and Miklos A. Vasarhelyi. "A field study on the use of process mining of event logs as an analytical procedure in auditing." *The Accounting Review* 89.5 (2014): 1751-1773

\*\*\* Ding, Kexing, Peng, Xuan, Hoogduin, Lucas, and Vasarhelyi, Miklos Reconsidering Analytical review, Working Paper, CarLab Rutgers Business School, 2017.

\*\*\* Wang, Yunsen, Hoogduin, Lucas, and Vasarhelyi, Miklos Misreporting Risk Assessment Toolkit: An Artificial Intelligence Design, Working Paper, Carlab, Rutgers Business School, 2017.

### Other readings

Tabor & Willis, "Empirical Evidence on the Changing Role of Analytical Review Procedures," *Auditing: A Journal of Theory and Practice*, Spring 1985: 93-103.

Biggs & Wild, "A Note on the Practice of Analytical Review," *Auditing: A Journal of Theory and Practice*, Spring 1984: 68-79.

Darocca & Holder, "The Use of Analytical Procedures in Review and Audit Engagements," *Auditing: A Journal of Theory and Practice*, Spring 1985: 80-92.

Heintz & White, "Auditor Judgment in Analytical Review," *Auditing: A Journal of Practice and Theory*, Spring 1989, pp. 22-39.

Heiman, V. "Auditors' Assessment of Likelihood of Error Explanation in Analytical Review," **The Accounting Review**," Vol. 65, No. 4, October 1990, pp. 875-890.

Wilson, Ac, Weld , Lg, Regression As An Analytical Procedure: Are Adjustments For Autocorrelation Really Necessary?, *Wi*, 97, 67, 82, Jaaf

Chen, Leitch An Analysis of the Relative Power Characteristics of Analytical Procedures, *Auditing: A Journal of Theory and Practice*, Fall 1999.

Wheeler, S & Pany, K., "Assessing the Performance of Analytical Procedures: A Best Case Scenario, **The Accounting Review**," Vol. 65, No. 3, July 1990, pp. 557-577.

Kinney & Felix, "Analytical Review Procedures," *Journal of Accountancy*, Oct. 1980: 95-105.

Kinney, "The Predictive Power of Limited Information in Preliminary Analytical Review: An Empirical Study," *Journal of Accounting Research*, Supl. 1979: 148-165.



## 10. Tuesday March 28, 2017

### Audit Opinion

\*\*\* Mutchler, Jane F., William Hopwood, and James M. McKeown. "The influence of contrary information and mitigating factors on audit opinion decisions on bankrupt companies." *Journal of Accounting Research* 35.2 (1997): 295-310.

\*\*\* Carson, Elizabeth, et al. "Audit reporting for going-concern uncertainty: A research synthesis." *Auditing: A Journal of Practice & Theory* 32.sp1 (2012): 353-384.

\*\*\* Myers, Linda A., Jaime Schmidt, and Michael Wilkins. "An investigation of recent changes in going concern reporting decisions among Big N and non-Big N auditors." *Review of Quantitative Finance and Accounting* 43.1 (2014): 155-172.

### Auditor Skepticism

R. Kathy Hurr, Helen Brown-Liburd, Christine E. Earley, and Ganesh Krishnamoorthy (2013) Research on Auditor Professional Skepticism: Literature Synthesis and Opportunities for Future Research. *AUDITING: A Journal of Practice & Theory*: 2013, Vol. 32, No. Supplement 1, pp. 45-97.

Noel Harding and Ken T. Trotman (2016) The Effect of Partner Communications of Fraud Likelihood and Skeptical Orientation on Auditors' Professional Skepticism. *AUDITING: A Journal of Practice & Theory* In-Press.

### Other readings

Carcello, Hermanson & Huss, Going Concern Opinions: The Effects of Partner Compensation Plans and Client Size, *Auditing: A Journal of Theory and Practice*, Spring 2000.

Mutchler, "Auditors' Perceptions of the Going-Concern Opinion Decision," *Auditing: A Journal of Theory and Practice*, Spring 1984, 17-30.

Melumad, Nd, Ziv ,A, A Theoretical Examination Of The Market Reaction To Auditors Qualifications, *Au*, 97, 239, 256, *Journal of Accounting Research*

Bell, T. B. & Tabor, R. H., "Empirical Analysis of Uncertainty Audit Qualifications, "**Journal of Accounting Research**," Vol. 29, No. 2 Autumn 1991, pp. 350-370.

Dodd, P., Dopuch, N., Holthausen, R., & Leftwich, R. (1984). Qualified audit opinions and stock prices: Information content, announcement dates, and concurrent disclosures. *Journal of Accounting and Economics*, 6(1), 3-38.

## 11. Tuesday April 4, 2017

### Methodology

\*\*\* Bedard, J.C. & Biggs, S. F. "Pattern Recognition, Hypotheses Generation, and Auditor Performance in an Analytical Task," **The Accounting Review**," Vol. 66, No. 3, July 1991, pp. 622-642.

\*\*\* Griffith, E. E., Kadous, K., & Young, D. (2015). How Insights from the "New" JDM Research Can Improve Auditor Judgment: Fundamental Research Questions and Methodological Advice. *Auditing: A Journal of Practice and Theory*.

### **Other readings**

\*\*\* DeJong & Smith, "The Determination of Audit Responsibilities: an Application of Agency Theory," *Auditing: A Journal of Theory and Practice*, Fall 1984: 20-34

\*\* Tucker, Rr, Matsumura, Em, Second-Partner Review: An Experimental Economics Investigation, Spring 1997, *AUDITING: A Journal of Practice & Theory*, Vol. 16, No. 1

\* Dopuch, King & Wallin, "The Use of Experimental Markets in Auditing Research: Some Initial Findings," *Auditing: A Journal of Practice and Theory*, Supplement 1989, pp. 98-127.

\* Robertson, "A Defense of Extant Auditing Theory," *Auditing: A Journal of Theory and Practice*, Spring 1984: 57-67.

\*Cushing & Loebbecke, "Comparison of audit Methodologies of Large Accounting Firms," *Accounting Research Study No. 26*, AAA 1986.

\* Gheorghe, "Audit Methodology for IT Governance," *Informatica Economică*, vol. 14, no. 1/2010.

### **Materiality**

\*\*\* Legoria, Melendrez & Reynolds 2013 "Qualitative Audit Materiality and Earnings Management" June 2013, Vol. 18, Issue 2, pp. 414 – 442

\*\*\* W.F. Messier, Jr. N. Martinov-Bennie, & A. Ellifsen 2005 "A Review and Integration of Empirical Research on Materiality: Two Decades Later" *AUDITING: A Journal of Practice & Theory*, Vo. 24, Issue 2, pp. 153 – 187

### **Other readings**

\* Turner, JI, , The Impact Of Materiality Decisions On Financial Ratios: A Computer Simulation, Sp, 97, 125, 147, JAAF

\* FT DeZoort, DR Hermanson, & RW Houston 2003 "Audit Committee Support for Auditors: The Effects of Materiality Justification and Accounting Precision" *Journal of Accounting and Public Policy*, Vol. 22, Issue 2, 2003, pp. 175 – 199

\* Fisher, The Effects of Reporting Auditor Materiality Level Publicly, Privately or Not at All in an Experimental Market Setting," *Auditing: A Journal of Theory and Practice*, 1990 Supplement: 184-223.

\* Whittington & Margheim, The Effects of Risk, Materiality, and Assertion Subjectivity on External Auditor Reliance on Internal Auditors" *Auditing: A Journal of Theory and Practice*, Spring 1993, pp. 50-64..

\* Mayper, Doucet & Warren, "Auditors' Materiality Judgment of Internal Accounting Control Weaknesses," *Auditing: A Journal of Practice and Theory*, Fall 1989: 72-88.

\* Loebbecke, Eining & Willingham, "Auditors' Experience with Material Irregularities: Frequency, Nature and Detectability," *Auditing: A Journal of Practice and Theory*, Spring 1989, pp. 90-100.

\* Ward, "An Investigation of the Materiality Construct in Auditing," *Journal of Accounting Research*, Spring 1976: 138-152.

\* Holstrum & Messier, "A Review and Integration of Empirical Research on Materiality," *Auditing: A Journal of Practice and Theory*, Fall 1982: 45-63.

\* Moriarity & Barron, "Modeling the Materiality Judgments of Audit Partners," *Journal of Accounting Research*, Autumn 1976: 320-341.

## **Analytic Methods in Audit 2**

### **Other readings**

\*\* visit <http://raw.rutgers.edu/pcaob> and choose 2 papers to read...some will be asked to present and discuss... no powerpoints

## **12. Tuesday April 11, 2017**

### **Audit Practice Research**

\*\*\* Michael L. Ettredge, Yang Xu, and Han S. Yi (2014) Fair Value Measurements and Audit Fees: Evidence from the Banking Industry. *AUDITING: A Journal of Practice & Theory*: August 2014, Vol. 33, No. 3, pp. 33-58.

\*\*\* Barri Litt, Divesh S. Sharma, Thuy Simpson, and Paul N. Tanyi (2014) Audit Partner Rotation and Financial Reporting Quality. *AUDITING: A Journal of Practice & Theory*: August 2014, Vol. 33, No. 3, pp. 59-86.

\*\*\* Chan, David Y., and Miklos A. Vasarhelyi. "Innovation and practice of continuous auditing." *International Journal of Accounting Information Systems* 12.2 (2011): 152-160.

\*\*\* Vasarhelyi, Miklos A., et al. "The acceptance and adoption of continuous auditing by internal auditors: A micro analysis." *International Journal of Accounting Information Systems* 13.3 (2012): 267-281.

\*\*\* Christensen, Brant E., Randal J. Elder, and Steven M. Glover. "Behind the numbers: Insights into large audit firm sampling policies." *Accounting Horizons* 29.1 (2014): 61-81. (read the document "AU Section 350 Audit Sampling" as supplementary material)

### **Other readings**

McDaniel, L S., "The Effects of Time Pressure and Audit Program Structure on Audit Performance," *Journal of Accounting Research*, Vol. 28, No. 2 Autumn 1990, pp. 267-285.

McDaniel, L S., "The Effects of Time Pressure and Audit Program Structure on Audit Performance," *Journal of Accounting Research*, Vol. 28, No. 2 Autumn 1990, pp. 267-285.

Bell Beppard Krisk Client Acceptance

Winograd Audit Practices at PWC

Collins, K. M. & Killough, L. N., "An Empirical Examination of Stress in Public Accounting," **Accounting Organizations & Society**, Vol. 17, Number 6, August 1992, pp. 535-548.

Ashton, Willingham & Elliott, "An Empirical Analysis of Audit Delay," *Journal of Accounting Research*, Autumn 1987: 275-292.

Loebbecke & Steinbart, "An Investigation of the Use of Preliminary Review to Provide Substantive Audit Evidence," *Auditing: A Journal of Theory and Practice*, Spring 1987: 74-89.

Davis & Weber, "The Impact of Advanced Computer Systems on Controls and Audit Procedures," *Auditing: A Journal of Theory and Practice*, Spring 1986: 35-49.

Chow, McNamee & Plumlee, "Practitioners' Perceptions of Audit Step Difficulty and Criticalness: Implications for audit Research," *Auditing: A Journal of Theory and Practice*, Spring 87: 123-133.

Newton & Ashton, "The Association Between Audit Technology and Audit Delay," *Auditing: A Journal of Practice and Theory*, Supplement 1989, pp. 22-27.

Dalton, Dr, Hill, Jw, The Threat Of Litigation And Voluntary Partner/Manager Turnover In Big Six Firms, Wi, 97, 379, 413, Jaap

Brackney, Ks, Helms, Gl, A Survey Of Attestation Practices, Fa, 96, 85, 98, *Auditing: A Journal of Practice and Theory*

Narayanan, Vg, , Moral Hazard In Repeated Professional Partnerships, Sp, 95, 895, 917, Car

Moreland, Ka, , Criticisms Of Auditors And The Association Between Earning And Returns Of Client Firms, Sp, 95, 94, 104, Aud

Pany & Smith, "Auditor Association with Quarterly Financial Information: An Empirical Test," *Journal of Accounting Research*, Autumn 1982: 472-481.

### 13. Tuesday April 18, 2017

#### Auditing Markets

\*\*\* Jenny Stewart, Pamela Kent, and James Routledge (2016) The Association between Audit Partner Rotation and Audit Fees: Empirical Evidence from the Australian Market. *AUDITING: A Journal of Practice & Theory*: February 2016, Vol. 35, No. 1, pp. 181-197.

\*\*\* Chow, "The Demand for External Auditing: Size, Debt and Ownership Influences," *The Accounting Review*, Apr. 1982: 272-291.

\*\*\* Whitworth, James D., and Tamara A. Lambert. "Office-Level Characteristics of the Big 4 and Audit Report Timeliness." *Auditing: A Journal of Practice & Theory* 33.3 (2014): 129-152.

#### Other readings

Dye, Ra, , Incorporation And The Audit Market, 02, 95, 75, 114, Jae

#### Audit Committee

\*\*\*Helen L. Brown-Liburd and Arnold M. Wright (2011) The Effect of Past Client Relationship and Strength of the Audit Committee on Auditor Negotiations. *AUDITING: A Journal of Practice & Theory*: November 2011, Vol. 30, No. 4, pp. 51-69.

\*\*\*Jeffrey R. Cohen, Lisa Milici Gaynor, Ganesh Krishnamoorthy, Arnold M. Wright (2011) The Impact on Auditor Judgments of CEO Influence on Audit Committee Independence. *AUDITING: A Journal of Practice & Theory*: November 2011, Vol. 30, No. 4, pp. 129-147.

### Expert Systems / usage of technology

#### **Other readings**

Bedard & Graham, "Auditors' Knowledge Organization: Observations from Audit Practice and Their Implications," *Auditing: A Journal of Theory and Practice*, Spring 1994, pp. 73-82.

Graham, Damens & Van Ness, "Developing Risk advisor: An Expert System for Risk Identification, Auditing; A Journal of Practice & Theory, Vol. 10, No. 1, Spring 1991.

Hansen & Messier, "A Preliminary Investigation of EDP-XPert," *Auditing: A Journal of Theory and Practice*, Fall 1986: 109-123.

Boritz & Wensley, "Structuring the Assessment of Audit Evidence- An Expert Systems Approach," *Auditing: A Journal of Theory and Practice*, 1990 Supplement: 49-87.

Vasarhelyi, M. A. & Halper, F. B., "The Continuous Audit of Online Systems," *Auditing : A Journal of Practice & Theory*, Spring 1991, Vol. 10, No. 1, pp. 110-125.

Shpilberg & Graham, "Developing ExperTAX: An Expert System for Corporate Tax Accruals and Planning," *Auditing: A Journal of Theory and Practice*, Fall 1986: 75-94.

Fischer, Mj, , "Real-izing" The Benefits Of New Technologies As A Source Of Audit Evidence : An Interpretive Field Study, 02, 96, 219, 242, AOS

### **14. Tuesday April 25 , 2017 Term Project Presentation**

### **15. Tuesday May 9 2017 Final Exam**

## **POTENTIAL EXTRA TOPICS AND READING**

### Non-Audit services

Aasmund Eilifsen and Kjell Henry Knivsflå (2013) How Increased Regulatory Oversight of Nonaudit Services Affects Investors' Perceptions of Earnings Quality. *AUDITING: A Journal of Practice & Theory*: February 2013, Vol. 32, No. 1, pp. 85-112.

Firth ,M The Provision Of Nonaudit Services By Accounting Firms To Their Audit Clients, Summer 1997 page 1 *Contemporary Accounting Research*.

#### **Other readings**

Wallage, "Assurance on Sustainability Reporting,"  
Legal & Org. Issues

Krishnan,J, Krishnan,J, Litigation Risk And Auditor Resignations, 10, 97, 539, 560, Tar

Palmrose, "An Analysis of Auditor Litigation and Audit Service Quality," *The Accounting Review*, January 1988, pp. 55-74.

Melumad & Thoman, "On Auditors and the Courts in an Adverse Selection Setting," *Journal of Accounting Research*, Spring 1990, pp. 77-120.

Palmrose, "Litigation and Independent Auditors: the Role of Business Failures and Management Fraud," *Auditing: A Journal of Theory and Practice*, Spring 1987: 90-103.

### **Other readings**

Gavin, Hicks & DeCosimo, "CPAs Liability to Third Parties," *Journal of Accountancy*, June 1984: 80-88.

Palmrose, "An Analysis of Auditor Litigation Disclosures," *Auditing: A Journal of Theory and Practice*, 1981 Supplement: 54-71<sup>1</sup>.

### Internal Audit

Mina Pizzini, Shu Lin, and Douglas Ziegenfuss (2014) The Impact of Internal Audit Function Quality and Contribution on Audit Delay. *AUDITING: A Journal of Practice & Theory* In-Press.

Naman K. Desai, Gregory J. Gerard, and Arindam Tripathy (2011) Internal Audit Sourcing Arrangements and Reliance by External Auditors. *AUDITING: A Journal of Practice & Theory*: February 2011, Vol. 30, No. 1, pp. 149-171.

### **Other readings**

Lowe & Pany, Audit Outsourcing and Independence, *Auditing: A Journal of Theory and Practice*, Spring

Brumfield, Elliott & Jacobson, "Business Risk and the Audit Process," *Journal of Accountancy*, April 1983: 60-68.

Cushing & Loebbecke, "Analytical Approaches to Audit Risk: A Survey and Analysis," *Auditing: A Journal of Theory and Practice*, Fall 1983: 23-41.

Grobstein & Craig, "A Risk Analysis Approach to Auditing," *Auditing: A Journal of Theory and Practice*, Spring 1984: 1-16.

### Statistical Auditing

What is sampling in the age of big data?

Menzeffricke & Smieliauskas, "A Survey of Simulation Studies in Statistical Auditing," *Journal of Accounting Literature*, 1987: 26-54.

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Fellingham, Newman & Patterson, "Sampling Information in Strategic Audit Settings," *Auditing: A Journal of Theory and Practice*, Spring 1989, Volume 8, #2, pp. 1-21.

Optional readings

VL chapters 7,8,9 & 10.

### ***Other readings***

Johnstone,Dj, , Statistically Incoherent Hypothesis Testing In Auditing, Au, 95, 156, 175, Aud

#### Fraud & Cooking the Books

Chad A. Simon (2012) Individual Auditors' Identification of Relevant Fraud Schemes. *AUDITING: A Journal of Practice & Theory*: February 2012, Vol. 31, No. 1, pp. 1-16.

Jacqueline S. Hammersley (2011) A Review and Model of Auditor Judgments in Fraud-Related Planning Tasks. *AUDITING: A Journal of Practice & Theory*: November 2011, Vol. 30, No. 4, pp. 101-128.

Karla M. Johnstone, Jean C. Bedard, and Stanley F. Biggs (2002) Aggressive Client Reporting: Factors Affecting Auditors' Generation of Financial Reporting Alternatives. *AUDITING: A Journal of Practice & Theory*: March 2002, Vol. 21, No. 1, pp. 47-65.

### ***Other readings***

Warren, "Confirmation Reliability- the evidence," *Journal of Accountancy*, February 1975: 85-89.

Whittington, Zulinski & Ledwith, "Completeness- The Elusive assertion," *Journal of Accountancy*, August 1983: 82-92.

Danos, Holt & Bailey, "The Interaction of science and Attestation Standard Formation," *Auditing: A Journal of Theory and Practice*, Spring 1987: 134-149.

Brazel, Jones & Zimbelman, "Using Nonfinancial Measures to Assess Fraud Risk," *Journal of Accounting Research*, Vol. 47, No. 5, December 2009.

#### Audit Fee / Pricing

Iyer ,Vm, Iyer ,Gs, Effect Of Big 8 Mergers On Audit Fees: Evidence From The United Kingdom, *Fa*, 96, 112, 132, Aud

Jagan Krishnan, Jayanthi Krishnan,Hakjoon Song (2011) The Effect of Auditing Standard No. 5 on Audit Fees. *AUDITING: A Journal of Practice & Theory*: November 2011, Vol. 30, No. 4, pp. 1-27.

Gull, Audit Prices, Audit Product Differentiation and Economic Equilibrium, *Auditing: A Journal of Theory and Practice*, Spring 1999.

Schatzberg, "A Laboratory Market Investigation of Low Balling in Audit Pricing," *The Accounting Review*, April 1990, 337-362.

Ettredge & Greenberg, "Determinants of Fee Cutting on Initial Audit Engagements," *Journal of Accounting Research*, Spring 1990, pp. 198-210.

Magee & Tseng, "Audit Pricing and Independence," *The Accounting Review*, April 1990, 315-336.

Turpen, "Differential Pricing on Auditors' Initial Engagements:; Further Evidence," *Auditing: A Journal of Practice and Theory*, Spring 1990, pp. 60-76.  
Audit Practice

### ***Other readings***

Street, Large Firms Envision Worldwide Convergence of Standards, *Accounting Horizons*, Spetember 2002.

Hackenbrack,Ke, Knechel,Wr, Resource Allocation Decisions In Audit Engagements, *Fa*, 97, 481, 499, Car

De Angelo, "Auditor Size and Audit Quality," *Journal of Accounting and Economics*, Dec. 1981: 183-200.

Audit Judgment Joyce & Biddle, "Anchoring and Adjustment In Probabilistic Inference in Auditing," *Journal of Accounting Research*, Spring 1981: 120-144.

Srinidhi & Vasarhelyi, "Auditor Judgment Concerning Establishment of Substantive Tests Based on Internal Control Reliability," *Auditing: A Journal of Theory and Practice*, Spring 1986: 64-76.

Dye, R.A., Balachandran, B. V. & Magee, R. P., "Contingent Fees for Audit Work," **Journal of Accounting Research**," Vol. 28, No. 2 Autumn 1990, pp. 239-266.

### Auditor Change

Raghunandan & Rana, Auditor Resignations and the Market for Audit Services, *Auditing: A Journal of Theory and Practice*, Spring 1999.

Roberts, Glezen & Jones, "Determinants of Auditor Change In the Public sector," *Journal of Accounting Research*, Spring 1990, 220-228.

### ***Other readings***

#### Audit Standards

Jochen Bigus (2012) Vague Auditing Standards and Ambiguity Aversion. *AUDITING: A Journal of Practice & Theory*: August 2012, Vol. 31, No. 3, pp. 23-45. Audit Quality

#### Auditor independence

Sikka ,P, Willmott,Hc, "The Power Of ""Independence"": Defending And Extending The Jurisdiction Of Accounting In The United Kingdom", 08, 95, 547, 581, Aos

#### Other Readings

Johnson, Pany & White, "Audit Reports and the Loan Decision: Actions and Perceptions," *Auditing: A Journal of Theory and Practice*, Spring: 1983, 38-51.

#### Surveys

Bonner & Pennington, "Cognitive Processes and Knowledge as Determinants of Auditor Expertise, " *Journal of Accounting Literature*, 1991: 1-50.



Waller & Jiambalvo, "The Use of Normative Models in Human Information Processing Research in Accounting," *Journal of Accounting Literature*, Spring 1984: 201-223.

Solomon, "Multi-Auditor Judgment/Decision Making Research", *Journal of Accounting Literature*, 1987: 1-25.

Rodgers & Ho, "A Review of Accounting Research on Cognitive Characteristics," *Journal of Accounting Literature*, Vol. 12, 1993..

Libby & Lewis, "Human Information Processing Research in Accounting: The State of the Art in 1982," *Accounting, Organizations and Society*, 1982: 231-286.

Scott, "The State of the Art of Academic Research in Auditing," *Journal of Accounting Literature*, Spring 1984: 153-200.