SYLLABUS (Preliminary)

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

Auditing Concepts and Standards: Fall 2014

Prof. Miklos A. Vasarhelyi Washington Park room 946
Class Hours: Fridays 13:00-18:00 Office Hours: Before and after class (and by appointment)
Best method of contact: e-mail miklosv@andromeda.rutgers.edu

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**

The course will in general be run in two separate sections one for AIS students other for accounting students. In certain dates the sections may be together and we will poll the class for alternate dates for the weeks of September 15, September 22, and October 25th.

Legend

- Aud: Auditing: A Journal of Practice and Theory
- JAR: Journal of Accounting Research
- TAR: The Accounting Review
- JofA: Journal of Accountancy
- AOS: Accounting, Organization & Society
- JAL: Journal of Accounting Literature
- JAE: Journal of Accounting and Economics
- JAAF: Journal of Accounting, Auditing, and Finance

*** Required Readings Prior to class
** Strongly Recommended Readings for Research
* Recommended Readings for Research

1. **Sept 05, 2014**

   **Introduction**


   **Audit Quality**


   **PCAOB inspections**


### 2. Sept 12, 2014

**Analytic Methods in Audit**

*** visit [http://raw.rutgers.edu/pcaob](http://raw.rutgers.edu/pcaob) and choose 2 papers to read... write a one page commentary on it.. some will be asked to present and discuss... no powerpoints

**Continuous audit**


**Other readings**


### 3. Sept 19, 2014

**Behavioral/Judgment Issues**


**Other readings**


Bamber, Em, Watson, Rt, The Effects Of Group Support System Technology On Audit Group Decision Making, Sp, 96, 122, 134, Aud

Koonce, L, Anderson, U, Justification Of Decisions In Auditing, Au, 95, 369, 384, *Journal of Accounting Research*

**Human Factors**


**Other readings**


Kennedy, J, Peecher, Me, Judging Auditors' Technical Knowledge, Au, 97, 279, 293, *Journal of Accounting Research*

**4. Sept 26, 2014**

**Internal Controls**


**Other readings**


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**Audit Risk**


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**Other readings**


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

5. Oct. 03, 2014
Audit Evidence


Integrating different forms of data for audit evidence: markets research becoming relevant to assurance, Lucas Hoogduin(KPMG), Kyunghee Yoon, Li Zhang, submitted to Accounting Horizons

Other readings


Fraud & Cooking the Books


Other readings


Analytical Review


Other readings


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


Audit Standards

Auditing Markets


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

Other readings

Auditor Change


Other readings

Audit Fee / Pricing
James D. Whitworth and Tamara A. Lambert

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


**Other readings**

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

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


**Statistical Auditing**

What is sampling in the age of big data?


**Optional readings**

VL chapters 7, 8, 9 & 10.

**Other readings**

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

**Expert Systems / usage of technology**


**Other readings**


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


Audit Practice Research

Student Presentations of Term Paper


**Other readings**

Bell Beddard, Krisk Client Acceptance

Winograd, Audit Practices at PWC


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


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


10. Nov.07/08, 2013: 33WCAS

Th the 33world continuous audit symposium will be held. Full attendance is required


Methodology


Other readings


Legal & Org. Issues

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


Other readings


12. Nov. 21, 2014

Analytic Methods in Audit 2

*** visit http://raw.rutgers.edu/pcaob and choose 2 papers to read… write a one page commentary on it.. some will be asked to present and discuss… no powerpoints

Materiality

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

*** Turner,Jl, , The Impact Of Materiality Decisions On Financial Ratios: A Computer Simulation, Sp, 97, 125, 147, JAAf

1 Note the Schipper discussion.

**Other readings**


13. Nov. 26, 2014 (Wed.)

**Non-Audit services**


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

**Other readings**

**Assurance services**


**Other readings**

Wallage, “Assurance on Sustainabillity Reporting,”

Audit Opinion


Mutchler, Jf, Hopwood, Ws, The Influence Of Contrary Information And Mitigating Factors On Audit Opinion Decisions On Bankrupt Companies, Au, 97, 295, 310, Journal of Accounting Research


Other readings

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


Internal Audit


Other readings

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


15. Dec. 12, 2014
Audit Committee


Audit Quality

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


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

Surveys


