

# FLORIDA ATLANTIC UNIVERSITY™

## Graduate Programs—COURSE CHANGE REQUEST

UGPC APPROVAL \_\_\_\_\_  
 UFS APPROVAL \_\_\_\_\_  
 SCNS SUBMITTAL \_\_\_\_\_  
 CONFIRMED \_\_\_\_\_  
 BANNER POSTED \_\_\_\_\_  
 CATALOG \_\_\_\_\_

<b>DEPARTMENT: SCHOOL OF ACCOUNTING</b>	<b>COLLEGE: BUSINESS</b>
<b>COURSE PREFIX AND NUMBER: ACG 7646</b>	<b>CURRENT COURSE TITLE: DOCTORAL SEMINAR IN AUDITING</b>
<b>CHANGE(S) ARE TO BE EFFECTIVE (LIST TERM): SPRING 2012</b>	<b>_____ TERMINATE COURSE (LIST FINAL ACTIVE TERM):</b>
<b>CHANGE TITLE TO: SEMINAR IN AUDITING</b>  CHANGE PREFIX FROM: _____ TO: _____  CHANGE COURSE NO. FROM: _____ TO: _____  CHANGE CREDITS FROM: _____ TO: _____  CHANGE GRADING FROM: _____ TO: _____  CHANGE DESCRIPTION TO: _____	<b>CHANGE PREREQUISITES/MINIMUM GRADES TO*:</b>   <b>CHANGE COREQUISITES TO*:</b>   <b>CHANGE REGISTRATION CONTROLS TO:</b>   *Please list both existing and new pre/corequisites, specify AND or OR, and include minimum passing grade.
<b>Attach syllabus for ANY changes to current course information.</b>	
Should the requested change(s) cause this course to overlap any other FAU courses, please list them here.	Departments and/or colleges that might be affected by the change(s) must be consulted and listed here. Please attach comments from each.
No	None

Faculty contact, email and complete phone number:  
 Mark Kohlbeck, mkohlbec@fau.edu, 561-297-1363

<b>Approved by:</b> Department Chair: _____ College Curriculum Chair: <i>[Signature]</i> College Dean: <i>[Signature]</i> UGPC Chair: _____ Graduate College Dean: _____	<b>Date:</b> 9/12/11 9/26/11 9-27-11 _____ _____	<b>ATTACHMENT CHECKLIST</b>  ♦Syllabus (see guidelines for requirements: <a href="http://www.fau.edu/graduate/facultyandstaff/programscommittee/index.php">http://www.fau.edu/graduate/facultyandstaff/programscommittee/index.php</a> )  ♦Written consent from all departments affected by changes
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Email this form and syllabus to [diamond@fau.edu](mailto:diamond@fau.edu) one week before the University Graduate Programs Committee meeting so that materials may be viewed on the UGPC website prior to the meeting.

**ACG7646 Seminar in Auditing  
Spring 201X**

Julia L. Higgs

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Office Hours: By Appointment

**Course Objectives:**

The primary objective of this course is to develop a broad understanding of accounting research in auditing. The intent is to focus the student on both the classics to provide a background and current research with a focus on the types of questions and innovative methods accounting academics are currently pursuing and developing. A second objective is for students to complete a substantial research project that may lead to publishable work, qualifying research project, and/or a dissertation.

**Course Prerequisite (Existing):**

Admission to a Ph.D. program

**Course Requirements:**

Class Participation	Students should complete a paper evaluation form for each paper assigned and be prepared to discuss the items on the form	15%
Exams	There will be a take-home mid-term and a final. These exams will be similar to comprehensive exams. – Mid term due Friday March 11 <sup>th</sup> , Final due Tuesday May 3 <sup>rd</sup> .	50%
Paper		20%
Literature Review		15%

**Grading scale:**

A = 92.00	B = 82.00-87.99	C = 70.00-77.99
A- = 90.00-91.99	B- = 80.00-81.99	D = 60.00-69.99
B+ = 88.00-89.99	C+ = 78.00-79.99	F = Below 60

**Honor Code:**

Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty is considered a serious breach of these ethical standards, because it interferes with the University mission to provide a high quality education in which no student enjoys an unfair advantage over any other. Academic dishonest is also destructive of the

University community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see University Regulation 4.001 at [http://www.fau.edu/regulations/chapter4/4.001\\_Code\\_of\\_Academic\\_Integrity.pdf](http://www.fau.edu/regulations/chapter4/4.001_Code_of_Academic_Integrity.pdf).

**School of Accounting Policies:**

<http://business.fau.edu/departments/accounting/school-of-accounting-policies/index.aspx>

**Students with Disabilities:**

In compliance with the Americans with Disabilities Act (ADA), students who require special accommodations due to a disability to properly execute coursework must register with the Office for Students with Disabilities (OSD)—in Boca Raton, SU 133 (561-297-3880); in Davie, MOD 1 (954-236-1222); in Jupiter, SR 117 (561-799-8585); or at Treasure Coast, CO 128 (772-873-3305)—and follow all OSD Procedures.

## GUIDELINES FOR ARTICLE CRITIQUES

You should plan to spend approximately 25-30 minutes critiquing the paper in class. You also should expect to spend an additional 10 minutes fielding questions about the paper and/or your critique of the paper from your colleagues in the class and the professor.

Answer each of the following

(1) Motivation

Describe whether and why you believe the article addresses an issue of significance to the accounting discipline and the profession.

- A. Consider both academic and practitioner communities.
- B. How would you argue the relevance of the issue to a practitioner?
- C. Is the issue unique? Is it novel?
- D. Assess the quality of the review of prior literature. Does the author show how the article contributes to the prior literature?

(2) Theoretical Development

Identify the primary and secondary research question(s) addressed in the article.

- A. What theory forms the basis for the research questions?
- B. Is the study exploratory in nature?
- C. Are the underlying theory and related research questions valid?

(3) Research Design

- A. Does the research design address the research question?
- B. Identify the dependent variable, and describe how it is operationalized.
  - i. Were alternative operationalizations of the dependent variable possible?
  - ii. On what measurement scale is the dependent variable?
  - iii. Does the dependent variable measure the theoretical construct it was intended to measure?
- C. Identify the independent variable(s) of research interest, and describe how it is (they are) operationalized.

- i. Were alternative operationalizations of the independent variables possible?
  - ii. On what measurement scale(s) are the independent variables?
  - iii. Do the independent variables manipulate/vary the theoretical construct intended?
- D. Identify what extraneous variables are controlled and how they are controlled.
  - i. Was the extraneous variable in question held constant? Was it included as a factor in the design? Was randomization performed? Was matching done?
- E. Identify what extraneous variables are not controlled, but should have been controlled.
  - i. What is the impact of not controlling these variables on the results of the study? What specific “threats” to the internal validity of the study are involved?
- F. Identify the experimental group or sample.
- G. Identify the comparison groups or sample, and describe on what basis (e.g., pair-matched, random, etc.) it is formed.
  - i. Was the researcher justified in forming the comparison group or sample the way s/he did? What alternative method(s) might be recommended?
- H. Research Design
  - i. How well presented in the article is the research design of the study?
  - ii. Categorize the study’s design as adequate or inadequate. Discuss your conclusions
- I. Identify the most significant threats to the internal and external validity of the study.
  - i. With regard to internal validity, the extraneous variables not controlled were identified in item (G), but be more general here. You might want to rank the threats to internal validity in terms of perceived severity.
  - ii. With regard to external validity, to what extent are the results of the study generalizable to other settings, other time periods, and other subjects?

(4) Analysis

- A. Evaluate the statistical procedures and techniques employed in the study. Is the analysis appropriate for the research question and design?
  - i. Were the techniques selected appropriate given the measurement scales of the variables and the nature of the research question(s)?
  - ii. Were the statistical results interpreted correctly (e.g., one-tailed vs. two-tailed test, significant interactions, etc.)?
  - iii. Are the statistical results presented clearly and well documented in the tables and figures of the study?
  - iv. Is the analysis section of the article well organized?

(5) Presentation

- A. Evaluate the quality of writing in the article.
  - i. How well organized and coherent is the paper? Are the introduction and conclusion linked?
  - ii. Is the paper concise? Are ideas stated in as few words as necessary?
  - iii. Is the paper clear? Are ideas presented as simply as reasonably possible?
- B. Had you been a reviewer on this paper, what would have been your recommendation to the editor: accept; minor revision; major revision; or reject? What is the basis of your recommendation?

(6) Extensions – future research –

- A. Does the author discuss this adequately?
- B. What extensions for future research do you see?

## Reading List

The Demand For Audits		
Week 1		
Assigned Reading		
	DeAngelo, L., "Auditor Size and Audit Quality," <i>Journal of Accounting and Economics</i> 3 (December 1981), pp 113-127.	
	Chow, C., "The Demand for External Auditing: Size Debt and Ownership Influences", <i>The Accounting Review (AR)</i> (April 1982) 272-290.	
	Francis, J. and E. Wilson, "Auditor Changes: A Joint Test of Theories Relating to Agency Costs and Auditor Differentiation", <i>The Accounting Review</i> (October 1988): 663-682.	
	Menon, K., and D. Williams, "The Insurance Hypothesis and Market Prices", <i>The Accounting Review</i> (April 1994): 327-342.	
Background Reading:		
	Wanda Wallace: The Economic Role of the Audit in Free and Regulated Markets <a href="http://rav.rutgers.edu/raw/wallace/homepage.html">http://rav.rutgers.edu/raw/wallace/homepage.html</a>	Provided on E-college
	Jenson, M. and W. S. Meckling 1976. <i>Journal of Financial Economics</i> , October, V. 3, No. 4, pp. 305-360.	
	<i>Positive Accounting Theory</i> , Ross L. Watts and Jerold L. Zimmerman Prentice Hall, 1986. Read Chapter 13 "The Theory's Application to Auditing.	Note that many of the items described in this have changed since 1986. However, the ideas of the institutions described are important. Read through p. 324

Auditor Quality		
Week 3		
Assigned Readings		
	Beatty, R.. 1989. "Auditor Reputation and the Pricing of Initial Public Offerings." <i>The Accounting Review</i> (October). 693-709.	
Winner of Notable Contribution Award 2010	<i>Reynolds, J. K., and J. R. Francis.</i> 2000. Does size matter? The influence of large clients on office-level auditor reporting decisions. <i>Journal of Accounting &amp; Economics</i> 30 December: 375-400.	
Winner of Notable Contribution Award 2006	Becker, C. L., M. L. DeFond, J Jiambalvo, and K. R. Subramanyam 1998. The effect of audit quality on earnings management. <i>Contemporary Accounting Research.</i> 14: 1-24.	
	Francis, J., and M. Yu, The Effect of Big Four Office Size on Audit Quality, <i>The Accounting Review</i> (September 2009), Vol. 84, No. 5, pp. 1521-1552.	
Winner of Notable Contribution Award 2007	Francis, J.R., E.L. Maydew, and H. C. Sparks. 1999. The Role of Big 6 Auditors in the Credible Reporting of Accruals. <i>Auditing: A Journal of Practice &amp; Theory</i> (Fall): 17-34.	

	<i>Teoh, S. H. and T. J. Wong., 1993. Perceived auditor quality and the earnings response coefficient. The Accounting Review. April: 346-366.</i>
<i>Background Reading:</i>	
	<i>Review papers from the capital market course on the earnings response Coefficient and Abnormal Accruals.</i>

The Pricing of Audits	
Week 4	
Model	"Auditor Independence, 'Low Balling', and Disclosure Regulation" <i>Journal of Accounting and Economics</i> , August 1981, pp. 113-127.
Regression	Simunic, D. 1980. The pricing of audit services: Theory and evidence. <i>Journal of Accounting Research</i> 63 (1): 53-75.
Two stage regression	Whisenant, S., S. Sankaraguruswamy, and K. Raghunandan. 2003. Evidence on the joint determination of audit and non-audit fees. <i>Journal of Accounting Research</i> 41 (September): 721-744.
Structured interviews	Dickins, D. E., J. L. Higgs, and T. R. Skantz, 2008. Estimating audit fees post-SOX <i>Current Issues in Auditing</i> 2: A9-A18.
	Collect Data from Audit Analytics on Audit Fees for 2008
Auditor Independence	
Week 5	
	Frankel, R., M. Johnson, and K. Nelson. 2002. The relation between auditors' fees for nonaudit services and earnings management. <i>The Accounting Review</i> 77 Supplement: 71-105.
	Ashbaugh, H., R. LaFond, and B. W. Mayhew. 2003. Do nonaudit services compromise auditor independence? Further evidence <i>The Accounting Review</i> 78 July: 611-639.
	Myers, J.N., L.A. Myers, and T.C. Omer. 2003. Exploring the Term of the Auditor-Client Relationship and the Quality of Earnings: A Case for Mandatory Auditor Rotation? <i>The Accounting Review</i> (Jul): 779-799.
	Ghosh, A., and D. Moon. 2005. Auditor Tenure and Perceptions of Audit Quality. <i>The Accounting Review</i> (Apr): 585-612.
	Carey, P. and R. Simnett. 2006. "Audit Partner Tenure and Audit Quality." <i>The Accounting Review</i> . 81 (3): 653-676
	Identify Research Idea

Risk and Litigation	
Week 6	
	Lyon, J.D., and M.W. Maher. 2005. The Importance of Business Risk in Setting Audit Fees: Evidence from Cases of Client Misconduct. <i>Journal of Accounting Research</i> (March): 133-151.
	Elder, R.J., R.D. Allen. 2003. A Longitudinal Field Investigation of Auditor Risk Assessments and Sample Size Decisions. <i>The Accounting Review</i> (Oct): 983-1002.
	Johnstone, K.M., and J.C. Bedard. 2003. Risk Management in Client Acceptance Decisions. <i>The Accounting Review</i> (Oct): 1003-1025.
	Bonner, S.E., Z. Palmrose, and S.M. Young. 1998. Fraud Type and Auditor



	Litigation: An Analysis of SEC Accounting and Auditing Enforcement Releases. <i>The Accounting Review</i> (October): 503-533.
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Reporting	
Week 7	
	Chewning, G., K. Pany, and S. Wheeler. 1989. Auditor reporting decisions involving accounting principle changes: Some evidence on materiality thresholds. <i>Journal of Accounting Research</i> (Spring): 78-96
	Mutchler, J. F. 1985. A multivariate analysis of the auditor's going concern opinion decision. <i>Journal of Accounting Research</i> (Autumn): 668-682.
	Ogneva, M. and K. R. Subramanyam. 2007. Does the stock market underreact to going concern opinions? Evidence from the U.S. and Australia. <i>Journal of Accounting &amp; Economics</i> (July): 439-452.
	Chow, C. W., and S. J. Rice. 1982. Qualified audit opinions and auditor switching. <i>The Accounting Review</i> 57 (April): 326-335.
	Background Reading
	Read the first part of Butler Leone and Willenborg (2004) through the explanation of audit reports.
	Review the reporting chapter of an Audit Textbook

Audit Terminations and Auditor Switching	
Week 8	
	<i>Chow, C. W., Rice, S. J. 1982. Qualified audit opinions and auditor switching. The Accounting Review. 57(2): 326- -</i>
	<i>Schwartz, K. B. and B. S. Soo. 1996. Evidence of regulatory noncompliance with SEC disclosure rules on auditor changes. The Accounting Review. 71 October: 555</i>
	<i>Carter, M E. and, B. S. Soo. 1999 The relevance of form 8-K reports. Journal of Accounting Research. 37 Spring: 119 -</i>
	<i>Chaney, P. K. and D. C. Jeter, and P. E. Shaw. 1997. Client-auditor realignment and restrictions on auditor solicitation. The Accounting Review. 72 July: 433 -</i>
	<i>Menon, K. and D. D. Williams. 2008. Management turnover following auditor resignations. Contemporary Accounting Research. 25 (2): 8-??</i>

Midterm Evaluations	
(Exam on Archival Auditing Research)	
Part 1: Turn in Literature Review	
Part 2: Take home exam	

Part 2 of the Course: Experimental Research in Auditing

Experimental Economics in Auditing	
Week 9	

	Smith, V.L., J. Schatzberg, and W.S. Waller. 1987. Experimental economics and auditing. <i>Auditing: A Journal of Practice &amp; Theory</i> (Vol. 7 No. 1, Fall): 71-93.
	Schatzberg, J. W. 1990. A laboratory market investigation of low balling in audit pricing. <i>The Accounting Review</i> 65 (April): 337-362.
	DeAngelo, L.E. 1981. Auditor Independence, 'Low Balling', and Disclosure Regulation. <i>Journal of Accounting &amp; Economics</i> (August): 113-127.
Expertise	
Week 10	
	Mark Nelson, Robert Libby and Sarah Bonner. 1995. Knowledge Structure and the Estimation of Conditional Probabilities in Audit Planning. <i>The Accounting Review</i> , Vol. 70, No 1: 27-47.
	Robert Libby and Hun-Tong Tan. Modeling the Determinants of Audit Expertise. <i>AOS</i> Vol 19, No 8 pp 701-716
	Bonner, S. E. 1990. Experience effects in auditing: The role of task-specific knowledge. <i>The Accounting Review</i> 65 (January): 72-92.
	Libby, R. and Frederick, D.M. "Experience and the Ability to Explain Audit Findings." <i>Journal of Accounting Research</i> (Autumn 1990) 348-367.
	Tan, H.-T. and Libby, R. "Tacit Managerial Knowledge versus Technical Knowledge as Determinants of Audit Expertise in the Field." <i>Journal of Accounting Research</i> , (Spring 1997) pp. 97-113.
Week 11	
	Continue with previous week's reading.
	Complete Qualtrics Project
	Complete CITI certification
Week 12 (Expertise and Knowledge)	
	Tubbs, R. M. 1992. The effect of experience on the auditor's organization and amount of knowledge. <i>The Accounting Review</i> 67 (October): 783-801.
	Brown, C. E., and I. Solomon. 1991. Configural information processing in auditing: The role of domain-specific knowledge. <i>The Accounting Review</i>
	Kennedy, J. 1995. Debiassing the curse of knowledge in audit judgment.
	Kennedy, J., and M.E. Peecher. 1997. Judging Auditors' Technical Knowledge. <i>Journal of Accounting Research</i> (Autumn): 279-293.
	Bedard, J. C., and S. F. Biggs. 1991. Pattern recognition, hypotheses generation, and auditor performance in an analytical task. <i>The Accounting Review</i> 66 (July): 622-642.
Week 13 (Cognitive Biases)	
Research Proposal Due	
	O'Reilly, D.M., R.A. Leitch, and D.H. Wedell. 2004. The Effects of Immediate Context on Auditors' Judgments of Loan Quality. <i>Auditing: A Journal of Practice &amp; Theory</i> (March): 89-105.
	Anderson, J. C. M. M Jennings, D. J. Lowe and P. M. J. Reckers. 1997. The mitigation of hindsight bias on judges' evaluation of auditor decisions. <i>Auditing: A Journal of Practice and Theory</i> . 16(2): 20-39.
	Hall, T. J., J. E. Hunton and B. J. Pierce. 2000. The use of and selection Biases associated with nonstatistical sampling in auditing. <i>Behavioral Research in Accounting</i> 12: 231-255.
	Tubbs; R. M. W. F. Messier, ; W. R. Knechel. 1990. Recency Effects in the Auditor's Belief-Revision Process. <i>The Accounting Review</i> , 65(2): 452-460.
Week 14 Recent Important Experimental Studies	

	Gaynor, L. M., L. S. McDaniel and T. L. Neal. 2006 The Effects of Joint Provision and Disclosure of Nonaudit services on audit committee members' decisions and investors' preferences. <i>The Accounting Review</i> 81(4): 873- 896.
	Carpenter, Tina. 2007. Audit Team Brainstorming, Fraud Risk Identification, and Fraud Risk Assessment: Implications of SAS No.99. <i>The Accounting Review</i> . (October): 1119-1140.
	Hammersley, J.S. 2006. Pattern Identification and Industry-Specialist Auditors. <i>The Accounting Review</i> (Mar): 309-336.
	Brazel, Joseph F., Tina Carpenter, and Greg Jenkins, "Auditors' Use of Brainstorming in the Consideration of Fraud: Reports from the Field," <i>The Accounting Review</i> , July 2010, Volume 85, Issue 4, pp. 1273-1301.
	Brazel, Joseph F., Keith L. Jones, and Mark F. Zimbelman, "Using Nonfinancial Measures to Assess Fraud Risk," <i>Journal of Accounting Research</i> , December 2009, Volume 47, Issue 5, pp. 1135-1166.
Final Exam Due Date:	