

FLORIDA ATLANTIC UNIVERSITY™

Graduate Programs—COURSE CHANGE REQUEST

UGPC APPROVAL _____
 UFS APPROVAL _____
 SCNS SUBMITTAL _____
 CONFIRMED _____
 BANNER POSTED _____
 CATALOG: _____

DEPARTMENT NAME: SCHOOL OF ACCOUNTING

COLLEGE OF: BUSINESS

COURSE PREFIX & NUMBER: ACG 7646

CURRENT COURSE TITLE: DOCTORAL SEMINAR IN AUDITING

CHANGE(S) REQUESTED

SHOW "X" IN FRONT OF OPTION

CHANGE CREDITS FROM _____ TO: _____

CHANGE GRADING FROM _____ TO: _____

CHANGE PREREQUISITES TO: _____

CHANGE MINIMUM GRADE TO: _____

CHANGE COREQUISITES TO: _____

CHANGE OTHER REGISTRATION CONTROLS TO: _____

OTHER _____

SHOW "X" IN FRONT OF OPTION

CHANGE PREFIX FROM _____ TO: _____

CHANGE COURSE NO. FROM _____ TO: _____

CHANGE TITLE TO:
SEMINAR IN AUDITING

CHANGE DESCRIPTION TO: _____

CHANGES TO BE EFFECTIVE (TERM):

Fall 2011

Attach syllabus for **ANY**
 changes to current course information.

Will the requested change(s) cause this course to overlap any other FAU course(s)? If yes, please list course(s).

YES NO X

Any other departments and/or colleges that might be affected by the change(s) must be consulted. List entities that have been consulted and attach written comments from each.
 None

TERMINATE COURSE, EFFECTIVE (GIVE LAST TERM COURSE IS TO BE ACTIVE):

Faculty Contact, Email, Complete Phone Number:
 Mark Kohlbeck, mkohlbec@fau.edu, 561-297-1363

SIGNATURES

Approved by:

Department Chair: _____

College Curriculum Chair: *(Signature)*

College Dean: *Paul Utter*

UGPC Chair: _____

Dean of the Graduate College: _____

Date:

3-24-11

3-24-11

3-28-11

SUPPORTING MATERIALS

Syllabus—must include all criteria as detailed in UGPC Guidelines.

Go to: <http://graduate.fau.edu/gpc/> to access Guidelines and to download this form.

Written Consent—required from all departments affected.

Email this form and syllabus to diamond@fau.edu and eqirjo@fau.edu one week **before** the University Graduate Programs Committee meeting so that materials may be viewed on the UGPC website by committee members prior to the meeting.

Doctoral Seminar in Auditing
Spring 2011

Julia L. Higgs

Office: Business East 124

Phone: 561-297-3663 (W)

954-815-9396 (C)

954-783-0275 (H)

Office Hours: By Appointment

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 th , Final due Tuesday May 3 rd .	50%
Paper		20%
Literature Review		15%

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 (January 12)		
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 http://raw.rutgers.edu/raw/wallace/homepage.html	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 (January 26)		
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 & 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 & Theory</i> (Fall): 17-34.	

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

The Pricing of Audits	
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Week 4 (February 2)	
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	
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Week 5 (February 9)	
	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	
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Week 6 (February 16)	
	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 (February 23)	
	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 & 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 (March 2)	
	<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 (March 23)

	Smith, V.L., J. Schatzberg, and W.S. Waller. 1987. Experimental economics and auditing. <i>Auditing: A Journal of Practice & 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 & Economics</i> (August): 113-127.
Expertise	
Week 10 (March 30)	
	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 (April 6)	
	Continue with previous week's reading.
	Complete Qualtrics Project
	Complete CITI certification
Week 12 (April 13) (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. Debiasing 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 (April 20) (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 & 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 (April 27) 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.
May 2, Final Exam Due	

POLICIES

Honor Code. Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty, including cheating and plagiarism, 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 dishonesty 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 http://www.fau.edu/regulations/chapter4/4.001_Honor_Code.pdf.

ADA. In compliance with the American 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) located in Boca Raton – SU 133 (561-297-3880), in Davie – MOD I (954-236-1222), in Jupiter – SR 117 (561-799-8585), in the Treasure Coast – CO 128 (772-873-3305), and follow all OSD procedures.