

Augsburg Weekend College
ACCOUNTING 423 - Spring 2008

A. COURSE INSTRUCTOR

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B. COURSE OBJECTIVES

After taking the course the student should have a general conceptual understanding of audit theory and the procedures to be employed to allow an independent CPA to reach an opinion on the reliability of financial statements and to issue an audit opinion covering those statements. The course incorporates the graduation skills of speaking and writing and substantial effort in the class goes to making these an integrated part of the course.

C. TEACHING METHOD

The course will use a three step approach:

- 1) Brief discussion of the chapter material.
- 2) Class room review of selected problems and concepts.
- 3) Use of case studies to re-emphasize points.

The bankruptcy of Enron threw a spotlight on various aspects of accounting and auditing and the subsequent Sarbanes-Oxley Act resulted in a major change in an auditor's responsibilities. The course has been designed to use publicly available material from the general media to highlight issues and provide practical experience with the tools of auditing. A significant amount of the course will relate to the COSO concepts of internal control and to the auditor's responsibility for identifying and reporting fraudulent activities under SAS #99 and the recently promulgated AICPA SASs. Additional focus on the Public Company Accounting Oversight Board's Audit Standards #2 & AS#5 will also be included.

D. REQUIRED MATERIALS

Text: Principles of Auditing Fourteenth Edition, Whittington and Pany, Richard D. Irwin, (Homewood, IL, 2004)

Powerpoint Slides will be loaded to Moodle.

E. CLASS SCHEDULE (See Attached)

F. GRADING

Exam	35%
Case study – Written presentation	10%
-- Oral presentation	15%
Group Project	15%
Paper - Written presentation	10%
- Oral presentation	<u>15%</u>
	100%

In order to fulfill the requirements of the speaking and writing graduation requirements skills, a student will need to obtain a weighted average score of at least 70% on the two oral presentations in order to receive a 2.0 for the course as a whole. Proper English grammar and usage will be considered as part of the grading for the written assignments.

There will be one examination, a “take home” final. It will be worth 35% of the grade. It will consist of essay questions and comprehensive problems. In order to help prepare for the final, the class will incorporate a number of non-graded proficiency checks to familiarize participants with the testing method and emphasize previous important concepts.

Group Project – An audit is essential a team effort in assessing the assertions of management embodied in a financial statement. The objectives of this project are as follows:

1. To acquaint students with the annual report and Form 10-K of a publicly held company audited by a CPA firm.
2. To provide data for the practical application of certain steps in the audit process.
3. To allow students to experience working in teams, as is done in actual auditing.

A detailed set of steps for the group project will be emailed to the participants. The group project will be due at the final class June 21st. The group project will make up 15% of your overall grade.

Paper – Each participant will prepare a paper on a matter relating to the continuing crisis in public accounting. There will be two broad topics: (1) A specific instance of failure of public accounting (**other than Enron**) the causes and potential solutions or (2) methods and techniques of forensic accounting. In both topics the participant should relate the topic to the deficiencies in control from the Enron case. In the case of the accounting failure topic the participant should describe how the identified deficiencies in Arthur Anderson’s behavior as an accounting firm either were or were not present in the matter under review. The topics will be chosen from a list provided by the instructor. For the forensic methods paper the participant should describe what techniques could have been applied by Arthur Andersen to address the deficiencies in Enron disclosure.

Each participant will also present an oral synopsis of his/her topic for the class. For purposes of the presentation, it is assumed that you are the external audit manager of a mid-size firm who has faced a recent decline in stock price due to questions about financial reporting. Market analysts have made reference to the accounting instance you are describing in raising question of your clients accounting. (For example, the Board has read that Lester Flatt of Flatt Broke Investment likened potential questions about the client’s financial statements to those raised by the PharMore Case.) The Audit Committee has asked for a brief presentation on the factors that are being considered by market analysts in assessing the quality of their accounting. You have been given a generous, by Board of Directors standards, amount of time (up to 10 minutes) to brief them on the results of your

research. Grading will consist of a blended score of the instructor's grade (70%) and the evaluation of other participants (30%). This will make up the bulk of our session on **May 17th**.

To help you prepare for this presentation I would like a copy of your draft written report no later than 4/28 via e-mail. I will be providing feedback on the written report via e-mail no later than 5/6 and will provide information on potential enhancements. On 5/11 you should bring to class an audiotape with a practice version of your presentation, as well as any handouts or presentation aides (Powerpoint slides, etc.) You will receive feedback in e-mail form no later than 5/14. I'll also provide additional discussion on the written reports and the audio tapes during the help sessions during these weeks.

Case studies – Each student will prepare a written solution to the audit case assigned. These reports will resolve the problem given in the case and should be around of five pages in length. You are to assume that you are the manager of in a public accounting firm reviewing the work of auditors for compliance with Generally Accepted Accounting Principles (GAAP). The supposed audience of your report will be the senior partner of the firm.

You will also be given an opportunity (ie a requirement) to brief the senior partner of the firm on the issues that you identify as part of the report. The time given will be very brief (up to 10 minutes) and you will be required to concentrate. Oral presentation will occur in class on **June 21st**.

No formal draft or practice session will be required for this presentation but help will be available at the help sessions prior to June 21st. The grading will factor in the assessment of the instructor and the fellow participants in the class. The instructor will provide a score that will account for 70% of the grade on the presentation and the participants score will count for 30% of the score.

G. ASSISTANCE/QUESTIONS

Because of our respective schedules, we will hold a help session, EVERY WEEK, unless you are informed otherwise. While attendance at these sessions is voluntary, it is the best time to discuss questions regarding the assignments including giving additional feedback regarding the reading and writing assignment. Tentatively, we will meet either Thursday (as announced in class) from 7:30 pm to 8:30pm in Room _____. I also am available for response by internet and I check my e-mail every day except Sunday.

H. ATTENDANCE POLICY

Attendance records will be kept and a significant portion of class requires participation. My feeling is that it is difficult to do well in the class without frequent attendance, however, I realize that emergencies and other commitments may intervene to prevent class attendance. The oral presentation must be made in front of the class group. While difficult from a timing standpoint if you contact me sufficiently in advance we may be able to accommodate problems with the oral presentation. Failure to do the case presentation prior to close of class on June 21st will result in a score of 0% for that item.

I. INSTANCES OF PLAGIARISM OR CHEATING

At the recommendation of the Academic Dean, I want to outline my policy regarding the consequences of plagiarism or cheating. If it is determined that a student engaged in such activity on an assignment, it would void the assignment and result in a grade of 0% for the test, or quiz. The

homework points are being assigned for the effort put forth in the assignment and joint work on homework is not considered cheating. The consequences of cheating or plagiarism could also in extreme cases lead to other sanctions including expulsion from Augsburg College. Expulsion is subject to the due process of the administration and is not at my sole discretion.

Augsburg Weekend College

Auditing
Tentative Class Schedule

Instructor: Kinney G. Misterek
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Date	TOPIC	ASSIGNMENT
04/13	Introduction/ Explanation of Expectations Read Article: Is Persuasion Dead?	Answer Questions at End of article – Be prepared to turn in written response at beginning of class
	Enron Overview “Smartest Guys in the Room”	Chapters 1,2
04/27	Sarbanes –Oxley and Its Implications Introduction to PCAOB and AS#2 Professional Ethics and Consequences	Chapter 3,4 Chapter 3, 4
04/28	Draft Paper Due via e-mail	
05/11	Professional Ethics and Consequences Evidence Audit Plan	Chapter 3, 4 Chapter 5, 6
5/06	Paper Feedback via e-mail	
05/18	Practice Presentation Tape Due Internal Controls Audit Sampling	Chapter 7,8 Chapter 9
5/23	Practice Presentation Feedback via e-mail	
06/1?	Breakdown in Financial Reporting Presentation Implementation	Chapters 10 thru 16
06/08	Implementation(continued) Reporting	Chapters 10 thru 16 Chapter 17
06/21	Take Home Final Examination due Group Project Due Case Study Presentations Summary and Debrief	

Is Persuasion Dead?

By **MATT MILLER**

Published: June 4, 2005

Speaking just between us - between one who writes columns and those who read them

Is persuasion dead? And if so, does it matter?

The significance of this query goes beyond the feelings of futility I'll suffer if it turns out I've wasted my life on work that is useless. This is bigger than one writer's insecurities. Is it possible in America today to convince anyone of anything he doesn't already believe? If so, are there enough places where this mingling of minds occurs to sustain a democracy?

The signs are not good. Ninety percent of political conversation amounts to dueling "talking points." Best-selling books reinforce what folks thought when they bought them. Talk radio and opinion journals preach to the converted. Let's face it: the purpose of most political speech is not to persuade but to win, be it power, ratings, celebrity or even cash.

By contrast, marshaling a case to persuade those who start from a different position is a lost art. Honoring what's right in the other side's argument seems a superfluous thing that can only cause trouble, like an appendix. Politicos huddle with like-minded souls in opinion cocoons that seem impervious to facts.

The politicians and the press didn't kill off persuasion intentionally, of course; it's more manslaughter than murder. Persuasion just isn't relevant to delivering elections or eyeballs. Pols have figured out that to get votes you don't need to change minds. Even when they want to, modern media make it hard. They give officials seconds to make their point, ignore their ideas in favor of their poll numbers or showcase a clash of caricatures, believing this is the only way to make "debate" entertaining. Elections may turn on emotions like hope and fear anyway, but with persuasion's passing, there's no alternative.

There's only one problem: governing successfully requires influencing how people actually think. Yet when the habits of persuasion have been buried, the possibilities of leadership are interred as well. That's why Bill Clinton's case on health care could be bested by savage "Harry and Louise" ads. And why, even if George Bush's Social Security plan had been well conceived, the odds were always stacked against ambitious reform.

I'm not the only one who amid this mess wonders if he shouldn't be looking at another line of work. A top conservative thinker called recently, dejected at the sight of Ann

Coulter on the cover of Time. What's the point of being substantive, he cried, when all the attention goes to the shrill?

But the embarrassing truth is that we earnest chin-strokers often get it wrong anyway. Take me. I hadn't thought much about Iraq before I read Ken Pollack's book, "The Threatening Storm: The Case for Invading Iraq," a platonic ideal of careful analysis meant to persuade. It worked. I was persuaded! So what should we conclude when a talent like Pollack can convince us - and then the whole thing turns out to be based on a premise (W.M.D.) that is false?

If serious efforts to get it right can lead to tragic errors, why care about a culture of persuasion at all? On one level, everyone needs a good rationalization at the core of his professional life; mine holds that the struggle to think things through, even when we fail, is redeeming.

But beyond this, the gap between the cartoon of public life that the press and political establishment often serve up and the pragmatic open-mindedness of most Americans explains why so many people tune out - and how we might get them to tune back in. Alienation is the only intelligent response to a political culture that insults our intelligence.

The resurrection of persuasion will not be easy. Politicians who've learned to survive in an unforgiving environment may not feel safe with a less scripted style. Mass media outlets where heat has always sold more than light may not believe that creatively engaging on substance can expand their audience. But if you believe that meeting our collective challenges requires greater collective understanding, we've got to persuade these folks to try.

I'm guessing Ann Coulter isn't sweating this stuff. God willing, there's something else keeping her up nights. In the meantime, like Sisyphus, those who seek a better public life have to keep rolling the rock uphill. If you've read this far, maybe you're up for the climb, too.

Questions:

1. What's your initial reaction to Mr. Miller's question?
2. Why do you think I included this article for discussion at our first meeting?