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CHAPTER 1
AN INTRODUCTION TO ASSURANCE AND FINANCIAL STATEMENT AUDITING

Answers to Review Questions

1-1 The study of auditing is more conceptual in nature as compared to other accounting courses. Rather than focusing on learning the rules, techniques, and computations required to prepare financial statements, auditing emphasizes learning a framework of analytical and logical skills. This framework enables auditors to evaluate the relevance and reliability of the systems and processes responsible for financial information as well as the information itself. To be successful, students must learn the framework and then learn to use logic and common sense in applying auditing concepts to various circumstances and situations. Understanding auditing can improve the decision-making ability of consultants, business managers, and accountants by providing a framework for evaluating the usefulness and reliability of information—an important task in many different business contexts.

1-2 There is a demand for auditing in a free-market economy because the agency relationship between an absentee owner and a manager produces a natural conflict of interest due to the information asymmetry that exists between these two parties. As a result, the agent agrees to be monitored as part of his/her employment contract. Auditing appears to be a cost-effective form of monitoring. The empirical evidence suggests that auditing was demanded prior to government regulation. In 1926, before it was required by law, independent auditors audited 82 percent of the companies on the New York Stock Exchange. Additionally, many private companies and municipalities not subject to government regulations, such as the Securities Act of 1933 and Securities Exchange Act of 1934, also purchase various forms of auditing and assurance services. Many private companies seek out financial statement audits in order to secure financing for their operations. Companies preparing to go public also benefit from having an audit.

1-3 The agency relationship between an owner and manager produces a natural *conflict of interest* because of differences in the two parties' goals and because of the *information asymmetry* that exists between them. That is, the manager likely has different goals than the owner, and generally has more information about the "true" financial position and results of operations of the entity than the absentee owner does. If both parties seek to maximize their own self-interest, the manager may not act in the best interest of the owner and may manipulate the information provided to the owner accordingly.

1-4 Independence is a bedrock principle for auditors. If an auditor is not independent of the client, users may lose confidence in the auditor's ability to report objectively and truthfully on the financial statements, and the auditor's work loses its value. From an agency perspective, if the principal (owner) knows that the auditor is not independent, the owner will not trust the auditor's work. Thus, the agent will not hire the auditor because the auditor's report will not be effective in reducing information risk from the perspective of

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the owner. Auditor independence is also a regulatory requirement.

1-5 **Auditing** (broadly defined) is a systematic process of (1) objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and (2) communicating the results to interested users.

Attest services occur when a practitioner issues a report on subject matter, or an assertion about subject matter, that is the responsibility of another party.

Assurance services are independent professional services that improve the quality of information, or its context, for decision makers.

1-6 Auditing is a specific form of “attest service,” which in turn is a specific category of “assurance service.” In other words, the phrase “assurance services” constitutes the broadest category of professional services provided by CPAs that serve to improve the quality or context of information for decision making for other parties. Attest services constitute a more specific category of assurance that CPAs can provide. These services are intended to reduce information risk to parties relying on information provided by a party that is creating, or making assertions about, subject matter of interest. CPAs can provide attest services relating to a wide variety of subject matter (or assertions about that subject matter) to reduce the information risk to third parties. One such subject matter is a set of financial statements. When a CPA provides a very in-depth, detailed attest service that follows relevant standards to constitute a complete examination of a set of financial statements and related assertions, this is called a financial statement “audit.”

1-7 **Audit risk** is defined as the risk that the auditor may unknowingly fail to appropriately modify his or her opinion on financial statements that are materially misstated (AS 1101). **Materiality** is defined as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement" (FASB Statement of Financial Accounting Concepts No. 8, Chapter 3: Qualitative Characteristics of Useful Accounting Information, which is pending revision at the time of the writing of this book per the Board’s November 2017 decision to revert to a definition of materiality similar to the one found in superseded Concept No. 2).

The concept of materiality is reflected in the wording of the auditor's standard audit report through the phrase "the financial statements present fairly *in all material respects*." This is the manner in which the auditor communicates the notion of materiality to the users of the auditor's report. The auditor's standard report states that the audit provides only *reasonable assurance* that the financial statements do not contain material misstatements. The term "reasonable assurance" implies that there is some risk that a material misstatement could be present in the financial statements and the auditor will fail to detect it.

1-8 The major phases of the audit are:

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- Client acceptance/continuance
- Preliminary engagement activities
- Plan the audit
- Consider and audit internal control
- Audit business processes and related accounts
- Complete the audit
- Evaluate results and issue audit report

1-9 Plan the audit: During this phase of the audit, the auditor uses knowledge about the client and any controls in place to plan the audit and perform preliminary analytical procedures. The outcome of the planning process is a written audit plan that sets forth the nature, extent, and timing of the audit procedures to be performed. The purpose of this phase is to plan an effective and efficient audit.

1-10 The auditor's standard unqualified report for a public company client includes the following sections: (1) opinion on the financial statements, (2) basis for opinion, and (3) critical audit matters, as illustrated in this chapter.

1-11 The emergence of advanced audit technologies will help remove many of the tedious tasks that are usually performed by junior auditors. Thus, auditors of all positions and experience will be required to spend additional time reasoning through fundamental business, accounting, and auditing concepts. An auditors' knowledge in these areas will enable them to provide greater benefit to clients by asking the right questions and identifying new, more effective ways to collect, analyze, and interpret results. In using audit data analytics, for example, auditors must understand the client and its industry, as well as the fundamentals of accounting and auditing, in order to ask the right questions in querying the data and in interpreting the results obtained.

1-12 Auditors frequently face situations where no standard audit procedure exists, such as the example from the text of verifying the inventory of cattle. Such circumstances require that the auditor exercise creativity and innovation when planning and administering audit procedures where little or no guidance or precedent exists. Every client is different, and applying auditing concepts in different situations requires logic and common sense, and frequently creativity and innovation.

Answers to Multiple-Choice Questions

1-13	b	**1-19**	a
1-14	b	**1-20**	d
1-15	c	**1-21**	d
1-16	c	**1-22**	d
1-17	c	**1-23**	b
1-18	c		

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Solutions to Problems

1-24 There are two major factors that may make an audit necessary for Greenbloom Garden Centers. First, the company may require long-term financing for its expansion into other cities in Florida. Entities such as banks or insurance companies are likely to be the sources of the company's debt financing. These entities normally require audited financial statements before lending significant funds and generally require audited financial statements during the time period the debt is outstanding. There is information asymmetry between the lender of funds and the owner of the business, and this asymmetry results in information risk to the lender. Even if the business could get funding without an audit, a clean audit report by a reputable auditor might very well reduce the lender's information risk and make the terms of the loan more favorable to the owner. Second, as the company grows, the family will lose control over the day-to-day operations of the stores. An audit can provide an additional monitoring activity for the family in controlling the expanded operations of the company.

1-25 **a**. Evidence that assists the auditor in evaluating financial statement assertions consists of the underlying accounting data and any additional information available to the auditor, whether originating from the client or externally.

b. Management makes assertions about components of the financial statements. For example, an entity's financial statements may contain a line item that accounts receivable amount to $1,750,000. In this instance, management is asserting, among other things, that the receivables exist, the entity owns the receivables, and the receivables are properly valued. Audit evidence helps the auditor determine whether management's assertions are being met. If the auditor is comfortable that he or she can provide reasonable assurance that all assertions are met for all accounts, he or she can issue a clean audit report. In short, the assertions are a conceptual tool to help the auditor ensure that she or he has "covered all the bases."

c. In searching for and evaluating evidence, the auditor should be concerned with the relevance and reliability of evidence. If the auditor mistakenly relies on evidence that does not relate to the assertion being tested, an incorrect conclusion may be reached about the management assertion. Reliability refers to the ability of evidence to signal the true state of the assertion, i.e., whether it is actually being met or not.

1-26 **a**. As the chapter explains, a financial statement audit reduces the information risk born by investors and creditors, because an audit reduces the risk that the company's financial statements are materially misstated. In this example, Community Bank can rely on information in Young's financial statements to make decisions on whether to provide a loan, with assurance that the information (which is produced by Young Company) is fairly presented. The risk the bank faces in providing a loan is thus reduced by a clean audit opinion on Young's financials, leading to a lower interest rate.

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b. Young Company has a $15 million loan outstanding at an interest rate of 7%, so its annual interest expense on that loan is $1.05 million. If Young were to go with the option of having a CPA help compile its financial statements (but not provide an external audit of the financial statements), Country Valley Bank is willing to offer a 6% rate, which would entail interest expense of $900,000, or a savings of $150,000 per year. So, unless having a CPA help with the financial statements would cost more than $150,000 per year, which is highly unlikely, this is a better option than Young staying with its current loan. However, Community Bank is willing to offer Young a 4.5% rate if the company has its financial statements audited by an independent auditor, for $375,000 per year in savings relative to its current loan, and $225,000 in annual savings relative to just having a CPA help compile Young's financial statements. The bottom line is that in this case the reduction in information risk provided by the audit is very likely to produce significant cost savings for Young Company. Young should hire an independent auditor and go with the loan from Community Bank. In the real world, studies show that financial statement audits really do lower the cost of capital for companies that issue financial statements and seek debt or equity capital.

c. As the book explains, if an entity's internal control over financial transactions is effective, this provides indirect information regarding whether the account balances are fairly presented: if controls are effective, then the transactions and other events will more likely be captured and summarized properly, which means in turn that the account balances are more likely to be free of material misstatement. The bank may be interested in knowing whether the controls appear to be designed and implemented appropriately, as this may provide additional comfort that Young's financial statements will continue to be fairly presented. However, unless the auditor provides an integrated audit on Young's financial statements and internal control over financial reporting, the auditor will be unable to provide an opinion as to whether Young's internal control is actually designed and operating effectively. Some companies may find that engaging an auditor to provide an integrated audit provides additional savings in the form of lowering the cost of capital (e.g., lower interest rates on borrowed funds).

d. There are reasons Young may decide to consider a financial statement audit, even if it can't refinance its current loan at a lower rate. For example, if the company were publicly traded, its stock price would likely increase, which would have a similar effect on its cost of capital—in this case equity capital. Of course, Young isn't public but if it were a public company, it would be required by law to obtain an integrated audit. Even though the company can't refinance its loan and isn't public (and thus its common stock is not traded on public exchanges), there may still be reasons to consider an audit. For example, the company may have a number of private owners who have hired managers to run the business. Those owners can reduce the risk that the managers are not appropriately using the company's resources through an audit of the financial statements. Lastly, the company's owners or managers may decide for other reasons that they want their financial statements to be as accurate as possible. An audit provides assurance to any user of financial statements that they are presented fairly in all material respects in accordance with a financial reporting framework (e.g. GAAP).

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1-27 A search of the homepage of most public companies will include links to their latest financial information or 10-K filings. The SEC's homepage will also include this information along with any other recent filings. Examining the independent auditor's report and financial statements will allow the student to have a better idea as to how the chapter's information is applied in real companies.

1-28 **Opinion paragraph**: "…the financial statements present fairly, in all material respects,…" This sentence indicates that the financial statements are a "fair", not exact, representation. Also, the idea of materiality is revisited here, indicating that the audit does not provide assurance that there are no *immaterial* errors in the financial statements.

Basis for Opinion paragraph: "[These] standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement…" The use of the term *reasonable assurance* indicates that there is no guarantee that the financial statements are correct, only *reasonable assurance*. Also the statement that the financials are "free of material misstatement" indicates that the audit does not provide assurance that the financials are free of error that is not material.

"Such procedures include examining, on a test basis, evidence…" The explanation that the auditor uses a test basis indicates that some of the figures were not fully examined, but rather only a sample of information was taken to gather evidence.

"We believe that our audits provide a reasonable basis for our opinion." This statement indicates that the audit is not "proof" that the financial statements are exact, only that there is reasonable evidence about their fairness in accordance with GAAP.

Critical Audit Matter paragraph: "…involved especially challenging, subjective, or complex audit judgments." This sentence prefaces the entire purpose of the paragraph which is to ensure the public is aware that some financial statement amounts and disclosures require extensive judgment by management and auditors, suggesting that the financial statements inherently are not precisely accurate.

Solution to Discussion Case

1-29 The memo should cite the following facts:

- There is a historical relationship between accounting and auditing.
- When parties to the agency relationship (contract) do not possess the same amount of information (information asymmetry) there is a natural conflict of interest between the parties. For example, when an owner and manager are negotiating an employment contract, the owner may assume that the manager likely will use organizational funds for personal uses. Auditing plays an important role in such relationships. The owner and manager will consummate an employment contract only if the manager agrees to be monitored. Auditing can be used to monitor the contract agreed to by the two parties. (As an attorney, Dashawn should be well versed in contract law.)
- Auditing is also used to monitor other types of contracts for which no laws or regulations require an audit, for example, contracts between management and debt holders.

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- There is historical evidence of forms of auditing in the early Greek states and in the United Kingdom during the industrial revolution. More relevant evidence is the fact that 82 percent of the NYSE companies were audited prior to the securities acts.
- Additional evidence for the demand for auditing is also provided by the fact that many private companies and municipalities not subject to the securities acts contract for audits.

Solution to Internet Assignment

1-30 There are numerous Internet sites that contain accounting information. Following are some suggested sites:

- The AICPA's home page (www.aicpa.org) contains extensive information on the organization's activities. For example, it contains the entire report of the Special Committee on Assurance Services.
- The American Accounting Association's home page (www.aaahq.org) has numerous links, including professional organizations, accounting journals, and education sites.
- The Association of Certified Fraud Examiners' home page (www.acfe.com) has extensive information on the Association's certification (CFE) program.
- The Institute of Internal Auditors' home page (www.theiia.org) contains detailed information on internal auditing.
- The International Federation of Accountants' website (www.ifac.org) provides detailed information on international accounting and auditing standards.
- The Government Accountability Office's website (formerly the General Accounting Office, (www.gao.gov) provides detailed information on the GAO's activities and allows users to obtain copies of GAO reports.
- The SEC's Edgar website (www.sec.gov) contains all filings by public companies with the SEC. It also contains information on other activities by the SEC.
- The PCAOB's website (www.pcaobus.org) offers detailed information about the PCAOB and the standards it has proposed and established.
- The major public accounting firms and many smaller firms also maintain websites.

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Chapter 1
An Introduction to Assurance and Financial Statement Auditing

Learning Objectives	Review Questions	Multiple-Choice Questions	Problems	Discussion Cases	Internet Assignments/ EarthWear Mini-Cases (EWMC)
LO 1-1: Understand why studying auditing can be valuable to you whether or not you plan to become an auditor, and why it is different from studying accounting.	1			29	30
LO 1-2: Understand the demand for auditing and be able to explain the desired characteristics of auditors and audit services.	2,3,4	13,14	24,25	29	
LO 1-3: Know the basic definition of a financial statement audit.	5,6	13,14,15,16	25		
LO 1-4: Understand three fundamental concepts that underlie financial statement auditing.	7	17,18	25		
LO 1-5: Understand why sampling is important in an audit.		18			
LO 1-6: Be able to describe the basic financial statement auditing process and the phases in which an audit is carried out.	8,9	17,19,20	26		EWMC
LO 1-7: Know what an audit report is and understand the nature of an unqualified report.	10	21,22,23	27,28		
LO 1-8: Understand how technology and audit data analytics are changing audits in exciting ways.	11				
LO 1-9: Understand why auditing demands logic, reasoning, and resourcefulness.	12				30

NOTE: References to auditing standards in the instructor manual follow a similar convention to that followed in the text: AICPA standards will be referenced by clarified AU section and PCAOB standards will be referenced by Auditing Standard (AS) number.

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END OF CHAPTER MATERIALS COMPARISON CHART

Number in 12th edition	Comparison	Number in 13th edition
1-1	Unchanged	1-1
1-2	Unchanged	1-2
1-3	Unchanged	1-3
1-4	Unchanged	1-4
1-5	Unchanged	1-5
1-6	Unchanged	1-6
1-7	Unchanged	1-7
1-8	Unchanged	1-8
1-9	Unchanged	1-9
1-10	Unchanged	1-10
1-11	Unchanged	1-11
1-12	Unchanged	1-12
1-13	Unchanged	1-13
1-14	Unchanged	1-14
1-15	Unchanged	1-15
1-16	Unchanged	1-16
1-17	Unchanged	1-17
1-18	Unchanged	1-18
1-19	Unchanged	1-19
1-20	Unchanged	1-20
1-21	Unchanged	1-21
1-22	Unchanged	1-22
1-23	Unchanged	1-23
1-24	Unchanged	1-24
1-25	Unchanged	1-25
1-26	Unchanged	1-26
1-27	Unchanged	1-27
1-28	Unchanged	1-28
1-29	Unchanged	1-29
1-30	Unchanged	1-30

When students enter the first introductory class, they seldom understand what assurance or auditing entails. Generally, they will not have read Chapter 1 before class, so it's important to spend the time necessary during the first class to capture students' attention and stimulate their interest in auditing.

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Introduction

After going over the class expectations, we spend the first part of class discussing and illustrating the demand for auditing and the role of auditing in society. If students are to be interested and excited to dig in and learn this daunting new material, they need to be convinced that it is important and useful. Thus, we also emphasize that the concepts underlying auditing are useful in many contexts other than auditing, including consulting and management.

Later in the class, we might ask the students how they would audit the automobile revenues (say $100 billion) of a large automobile manufacturer. We tell them that each car and truck has an invoice on the window and in the company's computer system, and that 8 million cars and trucks were sold. We then ask them how many invoices out of 8 million they want to examine in order to verify the $100 billion of revenues in the financial statements. Of course, you will get some outlandish answers (e.g., 400,000 invoices). We eventually tell them that you may not look at any invoices and that you may rely solely on the company's internal controls in conjunction with a careful ratio analysis or other type of analytical procedure. This type of example quickly gets the students' attention that auditing involves a substantial amount of judgment and common sense.

[LO 1-1] Tips for Learning Auditing

We spend a few minutes on this section emphasizing the differences between the study of accounting (which they are very familiar with) and the study of auditing (which they are not). We try to make sure they understand what auditing focuses on and how it is much more conceptual than their other accounting courses. We introduce the idea of a "tool kit" and how it relates to what we will be covering during the course.

[LO 1-2] The Demand for Auditing and Assurance

We spend a reasonable amount of time during the first lecture discussing why there is a demand for auditing and assurance services. Many students think that the demand for auditing is driven by the requirements of the Securities laws. It is important that the students have some basic understanding of the agency relationship that leads to the demand for auditing. Figure 1-1 provides a good framework for this discussion. We then bring in how the CPA fits this need with the qualities of independence, integrity, and objectivity. Sometimes we do role-plays, asking students to come to the front of the room. One is selling a car, while the other is interested in buying it. We let them discuss their concerns, what information they want, what the incentives of the two parties are, what information asymmetries might exist, etc. We then tie this scenario, which most students are somewhat familiar with or at least can relate to, back to the idea of the demand for auditing.

Use Figure 1-1

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An Assurance Analogy: The Case of the House Inspector

Sometimes it is difficult for students to grasp the theoretical perspective of the role accounting and auditing play in the principal-agent relationship, so we use a practical analogy to aid their understanding. We go over how a house inspection is similar to a financial statement audit including who the players are and how their roles relate to what we just discussed. We ask the students what is similar and different between the house inspection and the financial statement audit beginning with Table 1-1. Lastly, we ask the students for other examples of assurance services and again try to relate the specifics of each to the characteristics listed in Table 1-1.

Use Table 1-1

We then introduce the concept of "management assertions" by asking the students what specific assertions the company is making about specific financial statement items (for example: cash or inventory). They usually can come up with the most obvious ones: existence, fairly and accurately recorded, and all items are included. They might need to be pushed for some of the others. They may also fail to distinguish between assertions in terms of account balances and assertions in terms of transactions. It is useful to help them understand the differences between assertions for transactions and balances but also how they are related. Then we ask them how, as an auditor, you might go about collecting evidence on the cash account, bringing in what assertions are most important and why. We like to emphasize the differences between assertions about the account balance at the end of the period and the transactions posted to the account during the period, relating these concepts to each other and to the idea of risk from an audit perspective.

Use Table 1-2

Next, we talk about what else the prospective investor would want to know besides the quality of management's assertions. Finally, we relate all of this back to Table 1-1. **Problem 24** could be covered here.

[LO 1-4] Fundamental Concepts in Conducting a Financial Statement Audit

In this section, we discuss examples of the fundamental concepts in a financial statement audit: materiality, audit risk, and evidence. Our philosophy is that it is much better for students to grasp the fundamental principles and concepts of auditing early on, rather than immerse them in the details of reporting, ethics, or legal liability too soon. We use Figure 1-2 to present a simple overview of the audit process and then introduce the three fundamental concepts and the conceptual and procedural details that a financial statement audit is built on: materiality, audit risk, and evidence relating to management assertions.

Use Figure 1-2

This is an extremely important section as much of the rest of the course is built around these three concepts. It is imperative for the students to begin to understand that the auditor's judgment of materiality and audit risk impact the auditor's decision about the nature, timing, and extent of evidence to be gathered.

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[LO 1-5] Sampling: Inferences Based on Limited Observations

Many students have the impression that auditors look at all or most of an entity's transactions. This is a good time to introduce the idea behind sampling: auditors make inferences based on a limited (small) number of transactions. Additionally, be sure to highlight the idea that although emerging technologies like AI and big data will enable auditors to review entire populations in some situations, sampling will remain an important audit tool for the foreseeable future, for example in auditing physical inventory counts.

[LO 1-6] The Audit Process

We begin this section by asking the students how they might go about the audit process and listing steps on the board. Before we begin, we talk about how an auditor should plan and conduct an audit so that audit risk (the risk the auditor may unknowingly fail to appropriately modify his/her opinion on financial statements that are materially misstated) will be limited to an acceptable level. We think about the end result (an opinion) and what information is needed to develop and support that opinion. We try to get something down like this:

- Obtain an understanding of the company, its business and industry.
- Assess risks the company faces and how it deals with those risks.
- Identify risks that may be likely to lead to material misstatement in the financials.
- Design audit tests to address those risks.
- Carry out audit tests and gather evidence.
- Evaluate the evidence.
- Issue a report.

We then talk about how this process is carried out in seven phases, using Figure 1-3 to illustrate the process. This provides students with a basic framework for what occurs in an audit and what will be covered in the course. When discussing Figure 1-3 we refer the students to the chapters in the book that will cover each phase.

Use Figure 1-3

[LO 1-7] Evaluate Results and Issue Audit Report

We reiterate that the purpose of an audit is to issue the audit report and the importance of the evaluation process in choosing the appropriate report to issue. We use Exhibit 1-1 to introduce the "unqualified" opinion and review the components of the updated auditor's report. We note that an unqualified opinion is sometimes referred to as a "clean" opinion. We discuss the standards surrounding "scope limitations" and "departures from GAAP" to introduce the other types of audit reports that may be issued (qualified and adverse). Note that the text does not discuss a disclaimer of opinion in this chapter, though it is covered later in the text. We also highlight the newly added section of the report relating to critical audit matters (CAMs) and the auditor's response to CAMs. This addition represents the first major change to the auditor's report in over 50 years! Again, our view is that it is best not to overwhelm students with large amounts of detail before they understand

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the basic concepts of auditing, so keep discussions of auditor reporting as basic as possible at this point.

Use Exhibit 1-1

[LO 1-8] Audit Data Analytics

Here we discuss data analytics and other emerging technologies and their impact on the audit. Often, students have heard all kinds of speculative rumors and may believe that AI and related advancements will one day cost them their jobs. Although this is a possibility, companies are currently hiring more finance and accounting professionals (including auditors) even as they adopt new technologies. Further, most knowledgeable observers believe the demand for well-trained auditors and financial professionals will continue to remain strong, though the nature of their jobs may change...mostly in positive ways! We like to highlight ways in which emerging technologies augment and redefine the auditor's responsibility, instead of replacing them. By learning to skillfully interact with and interpret the data provided by these technologies, as well as make professional judgements using new systems, students will be well prepared for their careers and future technological advancements. It is important to emphasize that new technologies will make understanding fundamental accounting and auditing concepts, as well as sound professional judgment, even more important...not less!

[LO 1-9] Conclusion

We discuss the logic, reason, and resourcefulness (including imagination and innovation) needed by an auditor. We leave this chapter reminding the students not to memorize details but rather to try to gain an understanding of the basic underlying concepts: why financial statement audits are so important, what auditing is, and the basic process through which it is carried out. This is a great opportunity to get your students excited about and motivated to work hard studying auditing!

Discussion Case

We believe that using discussion cases help the students expand their understanding of the basic topics covered in the chapter. If you want your students to be able to articulate the value of an audit, we would use **Discussion Case 1-29**.

Internet Assignment

If you wish to familiarize your students with Internet sites that have accounting or auditing resources (e.g., the PCAOB's website), you may want to assign **Internet Assignment 1-30**.

Practice Insight

Practice Insights provide real-world integration. Practice Insight scenarios are included in each chapter to highlight important and interesting real-world trends and practices. These self-contained insights or scenarios focus on current events, student decision-making, and professional problem solving.

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Hands-On Cases

EarthWear Mini-Cases

The Chapter 1 mini-case can be assigned as a stand alone case and gives students the opportunity to familiarize themselves with the EarthWear Mini-Case website. This is especially useful if you plan to make use of EarthWear mini-cases in subsequent chapters! Students are asked to find several different pieces of information pertaining to EarthWear and its auditor, Willis & Adams, CPAs. Please visit Connect for the EarthWear Mini-Case assignment.

IDEA, TABLEAU, and ALTERYX

The Chapter 1 **IDEA, TABLEAU,** and **ALTERYX** problems are an excellent hands-on supplement to the textbook material. Please go to Connect for chapter assignments.

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