Accounting and Auditing Research 11th edition Weirich Solutions Manual

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Accounting & Auditing Research:
Tools and Strategies
11th Edition

SOLUTIONS MANUAL

Thomas R. Weirich, PhD, CPA
Thomas Pearson, LL.M., J.D., CPA
Natalie T. Churyk, PhD, CPA

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CHAPTER 1

INTRODUCTION TO APPLIED PROFESSIONAL RESEARCH

Discussion Questions

1. Research in general involves the investigation and analysis of an issue in question. The researcher usually applies reasonable and reflective thinking to develop an answer to the issue or problem at hand. Research requires a clear definition of the problem, using professional databases to search the authoritative literature, reviewing and evaluating the data collected, drawing conclusions and communicating your results.

2. Accounting, auditing, or tax research involve a systematic and logical investigation of an issue or problem using the accountant's professional judgment. Furthermore, accountants approach this problem using critical-thinking skills to obtain and document evidence underlying a conclusion relating to an issue or problem currently confronting the accountant or auditor.

3. Accounting, auditing, or tax research are necessary to determine the proper recording, classification, and disclosure of economic events; to determine compliance with authoritative pronouncements; or to determine the preferability of alternative accounting procedures.

4. The objective of accounting, auditing, or tax research is a systematic investigation of an issue or problem utilizing the researcher's professional judgment to arrive at appropriate and timely conclusions regarding the issues at hand.

5. Research plays an important role within an accounting firm or department. It is critical for the accountant/auditor to be able to find and locate applicable authoritative pronouncements and to ascertain their current status. Given the number and diversity of clients served, public accounting firms constantly engage in research on a wide array of accounting, auditing, or tax issues. This research process is usually conducted by the local office staff, selected local or regional "research specialists," and/or the executive office research personnel.

6. The functions of a multi-office CPA firm's Policy Committee are to evaluate significant accounting and auditing issues and establish firm-wide policies on these issues. Its Executive Subcommittee handles daily ongoing policy (i.e., lower-level) decisions for the firm as a whole.

7. Some basic questions that the researcher must address in performing, accounting, auditing, or tax research include: Do I have the knowledge to do the research?; What is authoritative literature?; Does authoritative literature address the issue?; If authoritative literature does exist, where can I

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find it?; If there exist more than one alternative of authoritative support, which one do I use?; If authoritative literature does not exist, what do I do?; What professional databases do I use?

8. Theoretical (pure or basic) research involves investigating questions that, while interesting, have little or no present, practical applications; while applied research involves investigating issues of immediate, practical importance.

9. Some of the characteristics that a practitioner-researcher should possess include inquisitiveness, open-mindedness, patience, thoroughness, and perseverance.

10. The "Research Navigation Guide" serves as a tool in navigating through the authoritative literature. The guide helps to focus or narrow one's research when utilizing various databases like the FASB's Codification System. One would first focus on a functional area like "Financial Accounting". Once the functional area is identified then focus on the broad categorization of the topic such as "Revenue". This is followed by focusing on the subtopic that allows for further segregation of the issue "Software Revenue". The final step would be to focus on the section or nature of the content of the issue which is often a recognition, measurement, or disclosure issue such as "Recognition of Software Revenue".

11. While a priori (before the fact) research refers to research before the client actually enters into the (proposed) transaction, a posteriori (after the fact) research refers to research relating to past or completed economic transactions. For planning purposes, the practitioner would rather be involved with a priori research to work with the client to develop a correct solution rather than attempting to correct a completed transaction.

12. The California court decision stresses that "well-informed" accountants are expected to master "standard research techniques" (or face severe malpractice claims).

13. The research process "adds value" to an accounting firm's services, since today's complex business transactions and proliferation of new authoritative pronouncements mandates that the firm efficiently and effectively conduct such research for their clients.

14. Some economic consequences to the standard-setting process of performing research include the impact of such pronouncements to investors and creditors resource allocation decisions in today's (competitive) capital markets, and the cost/benefit analysis of the issuance of a new standard.

15. Since the accounting and auditing literature is organized with a keyword indexing system, listing keywords in step one of the research process will aid the researcher in locating the

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authoritative literature in an efficient and effective manner. Failure to describe the keywords in sufficient detail can cause one to overlook important sources.

16. The five steps involved in the research process include: identifying the (research) issue, collecting the (appropriate) evidence, evaluating the results and identifying alternative solutions, developing (appropriate) conclusions, and communicating the results to the interested parties.

17. Research can support or refute a biased alternative by gathering evidence that is either unbiased or slanted toward the alternative being researched. Since the researcher should be unbiased in evaluating the various alternatives, the process often requires a (detailed and logical) analysis of complex and detailed accounting issues--thereby requiring "critical thinking" skills.

18. Problem distillation entails "refining" and "restating" the research issue from general to sufficiently specific terms, in order not to waste time investigating irrelevant items.

19. The skills tested on the CPA exam include: understanding, analysis, judgment, communication, and synthesis.

20. A research memorandum should contain such attributes as selecting objective and unbiased words; a grammatically correct and well-spelled, clear statement of the issue researched; a statement of the facts; a brief and precise discussion of the issue; and a straightforward conclusion based upon supported and identified authoritative literature.

The researcher should avoid making such common errors as excessive discussion of the issues and facts, excessive citations to authoritative sources, avoidance of presenting a conclusion, and including irrelevant information.

21. Critical-thinking skills (e.g., understanding a variety of contents and circumstances and applying various accounting, auditing, and business principles to help solve the problem under review) helps the researcher effectively and efficiently gather relevant facts, synthesize and evaluate alternatives, and develop alternative solutions.

22. The SEC stressed the importance of accountants performing effective research, claiming that this CPA's deficiency constituted a lack of exercising "due professional care."

23. Although this question is raised in Chapter 1, it is not directly answered until a later chapter. However, in Chapter 1 it briefly discusses that when authoritative literature does not exist on a specific issue, the practitioner would normally develop a theoretical solution based on logic or analogous authoritative literature. In a later chapter we will focus on this question in detail whereby

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one utilizes the "FASB's Conceptual Framework" and other authoritative literature by analogy to solve the problem.

24. The standard setter for accounting standards for federal government entities is the Federal Accounting Standards Advisory Board (FASAB). The PCAOB does not set accounting standards, but auditing standards.

25. Since you are conducting accounting research for a public company (Microsoft), the researcher would utilize the standards of the FASB located on the FASB Codification database which is the focus of Chapter 4. This database also includes the authoritative standards of the AICPA. GAO and PCAOB standards are auditing standards, not accounting standards.

26. Qualitative analytics focuses on non-quantitative data such as videos, pictures, or an entity's e-mails. Whereas quantitative analysis focuses on the analysis of numerical data such as trends of dollar sales and focusing on the outliers.

27. Data analytics is considered a process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision-making.

28. Examples of structured data would be data found in excel spreadsheets. Examples of unstructured data would include pictures, videos, or Twitter feeds.

Exercises

1. Current Quality Control standards of the PCAOB include:

QC 20- System of QC for a CPA Firm's Accounting & Auditing Practice.
QC 30- Monitoring a CPA Firm's Accounting & Auditing Practice
QC 40- The Personnel Management Element of a Firm's QC Competencies.

2. The IASB is the independent, accounting standard setting body that issues international financial reporting standards (IFRS) which are discussed in Chapter 6.

3. Standards may vary due to new issued standards. Recent IAASB standards listed on 7/1/24 include:

International Standards on Auditing for Audits of Financial Statements of Less Complex Entities 12/6/23.

International Standard on Auditing 600 (Revised) Special Consideration 4/7/22

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