Chapter 3

Audit Reports

■ Review Questions

3-1 Auditors' reports are important to users of financial statements because they inform users of the auditor's opinion as to whether or not the financial statements are fairly stated or whether no conclusion can be made with regard to the fairness of their presentation. Users especially look for any deviation from the wording of the standard unqualified report and the reasons and implications of such deviations. Having standard wording improves communications for the benefit of users of the auditor's report. When there are departures from the standard wording, users are more likely to recognize and consider situations requiring a modification or qualification to the auditor's report or opinion.

3-2 The unqualified audit report consists of:

1. *Report title* Auditing standards require that the report be titled and that the title includes the word *independent*.
2. *Audit report address* The report is usually addressed to the company, its stockholders, or the board of directors.
3. *Introductory paragraph* The introductory paragraph of the report makes the simple statement that the CPA firm has done an *audit*. Second, it lists the financial statements that were audited, including the balance sheet dates and the accounting periods for the income statement and statement of cash flows.
4. *Management's responsibility* This paragraph indicates that the financial statements are the responsibility of management, including selecting appropriate accounting principles and maintaining internal control over financial reporting.
5. *Auditor's responsibility* The auditor's responsibility section of the report includes three paragraphs. The first paragraph indicates that the auditor's responsibility is to express an opinion on the statements based on an audit conducted in accordance with auditing standards, and that the audit provides reasonable assurance that the financial statements are free of material misstatement.

   The second paragraph is the *scope paragraph* and is a factual statement about what the auditor did in the audit. The paragraph briefly describes important aspects of an audit, including that the procedures depend on the auditor's judgment and assessment of the risks of material misstatements. The scope paragraph also indicates that the auditor considers the entity's internal control, but not for the purposes of expressing an opinion on the effectiveness of internal control over financial reporting.

3-2 (continued)

The third paragraph indicates that the auditor believes the audit evidence is sufficient and appropriate to provide a basis for the audit opinion.

6. *Opinion paragraph* The final paragraph in the standard report states the auditor's conclusions based on the results of the audit.
7. *Name and Address of CPA firm* The name identifies the CPA firm or practitioner who performed the audit, and the city and state where the auditor is located.
8. *Audit report date* The appropriate date for the report is the end of fieldwork, when the auditor has gathered sufficient appropriate evidence to support the opinion.

The same eight parts are found in a qualified report as in an unqualified report. There are also often one or more additional paragraphs explaining reasons for the qualifications.

3-3 The purpose of the scope paragraph under the auditor's responsibility is to inform the financial statement users of the nature of the audit procedures performed. The information in the scope paragraph includes:

1. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.
2. The audit procedures selected depend on the auditor's judgment, and consider the auditor's assessment of the risks of material misstatement, whether due to fraud or error.
3. As part of this risk assessment, the auditor considers internal control over financial reporting in the design of the audit procedures. The assessment is not for the purpose of expressing an opinion on internal control over financial reporting, and the auditor does not express such an opinion.
4. An audit includes evaluating the appropriateness of the accounting policies used, the reasonableness of significant estimates, and the overall presentation of the financial statements.

3-4 The purpose of the opinion paragraph is to state the auditor's conclusions based upon the results of the audit evidence. The most important information in the opinion paragraph includes:

1. The words "in our opinion," which indicate that the conclusions are based on professional judgment.
2. A restatement of the financial statements that have been audited and the dates thereof or a reference to the introductory paragraph.
3. A statement about whether the financial statements were presented fairly and in accordance with generally accepted accounting principles.

3-5 The auditor's report should be dated February 17, 2014, the date on which the auditor concluded that he or she had sufficient appropriate evidence to support the auditor's opinion.

3-6 An unqualified report may be issued under the following circumstances:

1. All statements—balance sheet, income statement, statement of retained earnings, and statement of cash flows—are included in the financial statements.
2. Sufficient appropriate evidence has been accumulated and the auditor has conducted the engagement in a manner that enables him or her to conclude that the audit was performed in accordance with auditing standards.
3. The financial statements are presented in accordance with appropriate accounting standards such as U.S. generally accepted accounting principles or IFRS. This also means that adequate disclosures have been included in the footnotes and other parts of the financial statements.
4. There are no circumstances requiring the addition of an explanatory paragraph or modification of the wording of the report.

3-7 The introductory, scope, and opinion paragraphs are modified to include reference to management's report on internal control over financial reporting, and the scope of the auditor's work and opinion on internal control over financial reporting. The introductory and opinion paragraphs also refer to the framework used to evaluate internal control. Two additional paragraphs are added between the scope and opinion paragraphs that define internal control and describe the inherent limitations of internal control.

3-8 The standard unqualified report for a non-public entity under AICPA auditing standards and the standard unqualified report for a public company under PCAOB auditing standards are very similar in substance. The introductory paragraphs are similar, although the public company report includes the responsibilities of management and the auditor. In contrast, the report for the non-public entity in Figure 3-1 has separate paragraphs for management's and the auditor's responsibility. These paragraphs provide additional information on the nature of these responsibilities.

The scope paragraphs in each report are similar. However, there are differences in the description of the nature of the auditor's testing. The report for the non-public company indicates that the procedures are based on the auditor's judgment and consider the risks of material misstatement. The report for the non-public company also indicates that the auditor considers internal control in designing the audit procedures, and not for the purpose of expressing an opinion on internal control.

3-9 An unqualified report with an explanatory paragraph or modified wording is the same as a standard unqualified report *except* that the auditor believes it is necessary to provide additional information about the audit or the financial statements. For a qualified report, either there is a scope limitation (condition 1) or a failure to follow generally accepted accounting principles (condition 2). Under either condition, the auditor concludes that the overall financial statements are fairly presented.

Two examples of an unqualified report with an explanatory paragraph or modified wording are:

1. The entity changed from one generally accepted accounting principle to another generally accepted accounting principle.
2. A shared report involving the use of other auditors.

3-10 When another CPA has performed part of the audit, the primary auditor issues one of the following types of reports based on the circumstances.

1. No reference is made to the other auditor. This will occur if the other auditor audited an immaterial portion of the financial statements, the other auditor is known or closely supervised, or if the principal auditor has thoroughly reviewed the other auditor's work.
2. Issue a shared opinion in which reference is made to the other auditor. This type of report is issued when it is impractical to review the work of the other auditor or when a portion of the financial statements audited by the other CPA is material in relation to the total.
3. The report may be qualified if the principal auditor is not willing to assume any responsibility for the work of the other auditor. A disclaimer may be issued if the segment audited by the other CPA is highly material.

3-11 Even though the prior year statements have been restated to enhance comparability, a separate explanatory paragraph is required to explain the change in generally accepted accounting principles in the first year in which the change took place.

3-12 Changes that affect the consistency of the financial statements may involve any of the following:

a. Change in accounting principle
b. Change in reporting entity
c. Corrections of errors involving accounting principles.

An example of a change that affects consistency would be a change in the method of computing depreciation from straight line to an accelerated method. A separate explanatory paragraph is required if the amounts are material.

3-12 (continued)

Comparability refers to items such as changes in estimates, presentation, and events rather than changes in accounting principles. For example, a change in the estimated life of a depreciable asset will affect the comparability of the statements. In that case, no explanatory paragraph for lack of consistency is needed because the same method of depreciation is used in both years, but the information may require disclosure in the statements.

3-13 The three conditions requiring a departure from an unqualified opinion are:

1. *The scope of the audit has been restricted*. One example is when the client will not permit the auditor to confirm material receivables. Another example is when the engagement is not agreed upon until after the client's year-end when it may be impossible to physically observe inventories.
2. *The financial statements have not been prepared in accordance with generally accepted accounting principles*. An example is when the client insists upon using replacement costs for fixed assets.
3. *The auditor is not independent*. An example is when the auditor owns stock in the client's business.

3-14 A *qualified opinion* states that there has been either a limitation on the scope of the audit of material accounts, transactions, or disclosures or a material departure from GAAP in the financial statements, but that the auditor believes that the overall financial statements are fairly presented. This type of opinion may not be used if the auditor believes the exceptions being reported upon are extremely material, in which case a disclaimer or adverse opinion would be used.

An *adverse opinion* states that the auditor believes the overall financial statements are so materially misstated or misleading that they do not present fairly in accordance with GAAP the financial position, results of operations, or cash flows.

A *disclaimer of opinion* states that the auditor has been unable to satisfy himself or herself as to whether or not the overall financial statements are fairly presented because of a significant limitation of the scope of the audit, or a non-independent relationship under the *Code of Professional Conduct* between the auditor and the client.

Examples of situations that are appropriate for each type of opinion are as follows:

3-14 (continued)

OPINION TYPE	EXAMPLE SITUATION
Qualified	Inability to confirm the existence of an asset which is material but not extremely material in value.
Adverse	A highly material departure from GAAP.
Disclaimer	Material physical inventories not observed and the inventory cannot be verified through other procedures.
	Lack of independence by the auditor.

3-15 The common definition of materiality as it applies to accounting and, therefore, to audit reporting is:

> A misstatement in the financial statements can be considered material if knowledge of the misstatement would affect a decision of a reasonable user of the statements.

Conditions that affect the auditor's determination of materiality include:

- Potential users of the financial statements
- Dollar amounts of the following items: net income before taxes, total assets, current assets, current liabilities, and owners' equity
- Nature of the potential misstatements—certain misstatements, such as fraud, are likely to be more important to users of the financial statements than other misstatements.

3-16 Materiality for lack of independence in audit reporting is easiest to define. If the auditor lacks independence as defined by the *Code of Professional Conduct*, it is always considered highly material and therefore a disclaimer of opinion is always necessary. That is, either the CPA is independent or not independent. For failure to follow GAAP, there are three levels of materiality: immaterial, material, and highly material.

3-17 The auditor's opinion may be qualified by scope limitations caused by client restrictions or by limitations resulting from conditions beyond the client's control. The former occurs when the client will not, for example, permit the auditor to confirm material receivables or physically observe inventories. The latter may occur when the engagement is not agreed upon until after the client's year-end when it may not be possible to physically observe inventories or confirm receivables.

3-17 (continued)

A disclaimer of opinion is issued if the scope limitation is so material that the auditor cannot determine if the overall financial statements are fairly presented. If the scope limitation is caused by the client's restriction the auditor should be aware that the reason for the restriction might be to deceive the auditor. For this reason, a disclaimer is more likely for client restrictions than for conditions beyond anyone's control.

When there is a scope restriction that results in the failure to verify material, but not pervasive accounts, a qualified opinion may be issued. This is more likely when the scope limitation is for conditions beyond the client's control than for restrictions by the client.

3-18 A qualified report due to a scope limitation is issued when the auditor can neither perform procedures that he or she considers necessary nor satisfy himself or herself by using alternative procedures, usually due to the existence of conditions beyond the client's or the auditor's control, but the amount involved in the financial statements is not highly material. An important part of qualified opinion due to a scope limitation is that it results from not accumulating sufficient appropriate audit evidence, either because of the client's request or because of circumstances beyond anyone's control.

A report qualified as to opinion only results when the auditor has accumulated sufficient appropriate evidence but has concluded that the financial statements are not correctly stated. The only circumstance in which an opinion only qualification is appropriate is for material, but not highly material, departures from GAAP.

3-19 The three alternative opinions that may be appropriate when the client's financial statements are not in accordance with GAAP are an unqualified opinion, qualified as to opinion only, and adverse opinion. Determining which is appropriate depends entirely upon materiality. An unqualified opinion is appropriate if the GAAP departure is immaterial (standard unqualified) or if the auditor agrees with the client's departure from GAAP (unqualified with explanatory paragraph). A qualified opinion is appropriate when the deviation from GAAP is material but not highly material; the adverse opinion is appropriate when the deviation is highly material.

3-20 When the auditor discovers more than one condition that requires a departure from or a modification of a standard unqualified report, the report should be modified for each condition. An exception is when one condition neutralizes the other condition. An example would be when the auditor is not independent and there is also a scope limitation. In this situation the lack of independence overshadows the scope limitation. Accordingly, the scope limitation should not be mentioned.

3-21 The standard wording required by U.S. auditing standards has the advantage of being consistent in how auditors communicate information about the fair presentation of financial statements to users of financial statements. Thus, any departures from the standard wording are more easily recognized. Furthermore, some users may question whether the auditor's conclusion about the financial statements differ when using "present fairly" rather than when using "true and fair view." Proponents of the alternative choices offered by ISAs may believe the choices allow the auditor to customize their report wording based on the auditor's preference of how to communicate to users. Others may also argue for U.S. adoption of similar alternatives so that U.S. audit reports conform to auditor reports based on ISAs. That consistency at a global level may help reduce misunderstandings between auditors and users of financial statements.

3-22 Given the global nature of the financial markets, investors, both in the U.S. and abroad, frequently make investments in companies that are located all over the world. While many companies located outside the U.S. already prepare financial statements in accordance with International Financial Reporting Standards (IFRS), financial statements of U.S.-based entities are based on U.S. generally accepted accounting principles, and differences in the basis of presentation makes the analysis of U.S. and non-U.S.-based company financial statements difficult. Similarly, differences exist in auditing standards issued across the globe, so the adoption of International Statements on Auditing (ISAs) would mean auditors from around the globe are conducting their audits using the same set of standards. The embrace of IFRS and ISAs will help investors in their analysis of audited financial statements prepared across the globe.

■ Multiple Choice Questions From CPA Examinations

3-23	a. (2)	b. (3)	c. (3)
3-24	a. (3)	b. (4)	c. (1)
3-25	a. (3)	b. (2)	c. (3)

■ Discussion Questions and Problems

3-26
a. "Correctly stated" implies absolute accuracy, whereas the alternative report states that no material misstatements exist.
b. The reference to generally accepted accounting principles specifies rules that were followed in accounting for the transactions to date, whereas "the true economic conditions" does not identify the specific accounting procedures applied.
c. The opinion paragraph is not intended to be a certification or a guarantee of the accuracy and correctness of the financial statements, but rather it is intended to be an expression of professional judgment based upon a reasonable audit of the statements and underlying records.

3-26 (continued)

d. The name of the CPA firm rather than that of the individual practitioner should appear on the accountant's report because it is the entire firm that accepts responsibility for the report issued.

e. "Our audit was performed to detect material misstatements in the financial statements" is flawed because the purpose of the audit is to determine whether financial statements are fairly stated, not to specifically search for material errors and fraud. It also fails to recognize the audit standards followed by the auditor.

   "We conducted our audit in accordance with auditing standards generally accepted in the United States of America" identifies the auditor's responsibilities for the conduct of the audit, accumulation of evidence, and reporting requirements. It is a much broader statement than the alternative clause. It also implies that if the auditor has conducted the audit in accordance with generally accepted auditing standards but does not uncover certain material errors or fraud, the auditor is unlikely to have responsibility for failing to do so.

3-27 a. Items that need not be included in the auditor's report are:

1. That Bellamy is presenting comparative financial statements. (Both years' statements will be referred to in the audit report.)
2. Specific description of the change in method of accounting for long-term construction contracts need not be included in the report since it is discussed in the footnotes. But, the auditor's report must state that there is a change in accounting principles and refer to the footnote.
3. The fact that normal receivable confirmation procedures were not used should not be disclosed since the auditor was able to satisfy himself or herself through alternative audit procedures.
4. The lawsuit need not be discussed in the report since it has been included in a footnote.

b. The following deficiencies are in Patel's report:

1. The audit report is neither addressed nor dated, and it does not contain a title. The audit report date should be the last day of field work.
2. The balance sheet is as of a specific date, whereas the income statement and the statement of retained earnings are for a period of time. The introductory paragraph should identify the period of time (usually one year).

3. There are comparative statements, but the audit report identifies and deals with only the current year's financial statements. An opinion must also be included for the prior period financial statements.
4. There is no separate management's responsibility paragraph that states the responsibilities of management.
5. There is no separate auditor's responsibility paragraph. The last two sentences in the first paragraph should be moved to be included in this paragraph.
6. There is no separate scope paragraph that describes what an audit is.
7. The audit was made in accordance with *auditing standards generally accepted in the United States of America* rather than *generally accepted accounting standards*.
8. The word *material* is excluded from the statement in the introductory paragraph that is part of the auditor's responsibility (free of material misstatement).
9. An additional paragraph should be included that describes the dividend restrictions and the refusal of the client to present a statement of cash flows.
10. The opinion paragraph states that accounting principles were consistent with those used in the prior year. The opinion paragraph should make no reference to consistency.
11. The opinion paragraph excludes the required phrase, "in all material respects."
12. The opinion paragraph includes the words "generally accepted auditing standards" rather than the phrase "accounting principles generally accepted in the United States of America."
13. A separate paragraph should be included stating that generally accepted accounting principles were not consistently applied.
14. The opinion should be qualified rather than being unqualified. Qualifications are caused by the:
    (a) failure to present a statement of cash flows.
    (b) failure to disclose the dividend restrictions.

3-28

(a) CONDITION	(b) MATERIALITY LEVEL	(c) TYPE OF REPORT	COMMENTS
1. Scope of the audit has been restricted	Highly material	Disclaimer	Because the client refuses to allow the auditor to expand the scope of his audit, a disclaimer of opinion is appropriate rather than a qualified opinion.
2. Lack of independence	Not applicable	Disclaimer	Lack of independence by audit personnel on the engagement mandates a disclaimer for lack of independence.
3. None	Not applicable	Unqualified	The company has made a business decision to follow a different financing method for use of delivery trucks, which is adequately disclosed. There is no change of accounting principle.
4. Substantial doubt about going concern	Material	Unqualified — Emphasis-of-matter explanatory paragraph	Because the auditor has substantial doubt about the client's ability to continue as a going concern, the auditor should add an explanatory paragraph to the unqualified opinion.
5. None	Material	Unqualified	While the auditor engaged a business valuation specialist to gather evidence about the fair value of the investment, the auditor would issue an unqualified opinion given he or she was able to conclude that the valuation specialist's work provides sufficient appropriate evidence.

3-28 (continued)

(a) CONDITION	(b) MATERIALITY LEVEL	(c) TYPE OF REPORT	COMMENTS
6. Failure to follow GAAP	Highly material or material. We need additional information regarding the auditor's preliminary judgment about materiality	Adverse (if highly material) or Qualified (if material)	The materiality of twenty percent of net earnings before taxes would be sufficient for many auditors to require an adverse opinion. That materiality question is a matter of auditor judgment.

3-29

(a) CONDITION	(b) MATERIALITY LEVEL	(c) TYPE OF REPORT	COMMENTS
1. Failure to follow GAAP	Material or Highly material (more information is needed about the size of the misstatement)	(4) Qualified opinion only—GAAP departure (7) Adverse	The failure to reduce the value of the inventory for a decline in value is a departure from GAAP.
2. None	Not applicable	(1) Unqualified—standard wording	There is no indication questioning the ability of the business to continue operations. The auditor does not add an explanatory paragraph simply because there is a risky business, but the auditor could choose to emphasize this matter in an explanatory paragraph.
3. Change in accounting principle	Material	(2) Unqualified—explanatory paragraph	The change in accounting principle materially impacts the current year financial statements.
4. Failure to follow GAAP	Material	(4) Qualified opinion only—GAAP departure	The standards require the use of a qualified opinion for the failure to include a statement of cash flows.

3-29 (continued)

(a) CONDITION	(b) MATERIALITY LEVEL	(c) TYPE OF REPORT	COMMENTS
5. None	Not applicable	(2) Unqualified—modified wording	U.S. auditing standards now allow an auditor to perform an audit in accordance with both U.S. GAAS and ISAs. The auditor's responsibility paragraph is modified to indicate that audit was conducted in accordance with both standards.
6. Scope of the audit has been restricted	Highly material (because client imposed)	(6) Disclaimer	The client has restricted the scope of the audit and the auditor was not able to satisfy himself or herself by alternative procedures. Because it was a client restriction rather than a condition beyond the client's control causing the limitation, a disclaimer is more appropriate.
7. Report involving other auditors	Material	(3) Unqualified—modified wording	This is a shared audit report in which the auditor will identify the portion of work done by the other auditor in the auditor's responsibility paragraph and still issue an unqualified opinion. The absolute dollar amounts of assets and revenues or percentages must be stated.

3-30

(a) CONDITION	(b) MATERIALITY LEVEL	(c) TYPE OF REPORT	COMMENTS
1. Failure to follow GAAP.	Highly material or material, depending upon the amount of the loss and the auditor's preliminary judgment about materiality	(7) Adverse (if highly material) or (4) Qualified opinion — GAAP departure (if material)	Disclosure of this information is required in a footnote. Failure to do so is a violation of GAAP and is likely to result in a qualified opinion, or it could be so material that it requires an adverse opinion.
2. Failure to follow GAAP.	Immaterial	(1) Unqualified—standard wording	The amount is immaterial.
3. Scope of the audit has been restricted.	Highly material or material, depending upon the auditor's preliminary judgment about materiality.	(6) Disclaimer (if highly material) or (5) Qualified opinion—scope limitation (if material)	Because the auditor was unable to become satisfied about beginning inventories, it is necessary to issue either a qualified or disclaimer of opinion on the income statement and statement of cash flows as well as the beginning balance sheet. The use of a qualified or disclaimer would depend upon materiality. An unqualified opinion could be issued for the current period balance sheet.
4. Scope of the audit has been restricted.	Highly material	(6) Disclaimer	Failure of the client to allow the auditor to inspect the minutes book would be a material client-imposed restriction. Due to the importance of the minutes book, a disclaimer would be necessary. The certified copy of all resolutions and actions would not be a satisfactory alternative procedure.
5. Scope of the audit has been restricted.	Not applicable	(1) Unqualified—standard wording	Because the auditor was able to obtain alternative evidence, no scope qualification is necessary. If there were such a qualification, the opinion would be qualified or a disclaimer, depending on materiality.

3-30 (continued)

(a) CONDITION	(b) MATERIALITY LEVEL	(c) TYPE OF REPORT	COMMENTS
6 Failure to follow GAAP.	Material	(4) Qualified opinion only—GAAP departure	Retail Auto Parts has used replacement cost inventory rather than lower of cost or market. It is not sufficiently material to require an adverse opinion.
7. None	Not applicable	(1) Unqualified—standard wording	The change of estimated life is a change of condition and not a change in accounting principles. Therefore, an unqualified opinion is appropriate since there is adequate disclosure.

3-31

ITEM NO.	TYPE OF CHANGE	SHOULD AUDITOR'S REPORT BE MODIFIED?
1	An error correction not involving an accounting principle.	No
2	An accounting change involving both a change in accounting principle and a change in accounting estimate. Although the effect of the change in each may be inseparable and the accounting for such a change is the same as that for a change in estimate only, an accounting principle is involved.	Yes
3	An accounting change involving a change from one generally accepted accounting principle to another generally accepted accounting principle.	Yes
4	An accounting change involving a change in an accounting estimate.	No
5	Not an accounting change but rather a change in classification.	No
6	An accounting change involving a correction of an error in principle, which is accounted for as a correction of an error.	Yes
7	An accounting change involving a change in the reporting entity, which is a special type of change in accounting principles.	Yes
8	An accounting change from one generally accepted accounting principle to another generally accepted accounting principle.	Yes

■ Research Problem 3-1: Research Annual Reports

a.
- Form 8-K - This is the form that must be filed whenever a registrant encounters a significant event (e.g., a change in control of ownership, disposition or acquisition of a significant amount of assets, change in independent auditors).
- Form 10-K - This is the annual report that most companies file with the Commission. It provides a comprehensive overview of the registrant's business. The report must be filed within 60-90 days after the end of the company's fiscal year. This form is required by the Securities Exchange Act of 1934.
- Form 10-Q – This is the quarterly report that includes the quarterly financial statements filed with the SEC.
- DEF-14a – This filing includes the proxy statement sent to shareholders. The proxy statement includes information about the board of directors, including any requests for shareholder vote on the election of certain directors, and it includes information about executive compensation, auditor selection and related audit and other fees, and other information about board related activities and responsibilities.

b.
1. Ernst & Young LLP
2. Separate reports were issued on the financial statements and on internal controls over financial reporting.
3. Unqualified opinion on the financial statements.
4. Unqualified opinion on internal controls over financial reporting.
5. January 26, 2012.

c.
1. Unqualified opinion on the financial statements and internal control over financial reporting included in a combined report.
2. February 29, 2012
3. The combined report issued by PricewaterhouseCoopers does not follow the same standard wording format and paragraph order of a standard unqualified report on the financial statements or standard unqualified report on internal controls over financial reporting. However, all the required elements of both reports are present in the Yahoo auditor's report. While most audit firms use the standard unqualified report format as presented in Chapter 3, PCAOB auditing standards only require that all required elements be included. Exact wording and paragraph format are not mandated by auditing standards. PricewaterhouseCoopers has chosen to present its standard audit reports using a different format.

(**Note**: Research problems address current issues, using Internet sources. Because Internet sites are subject to change, Research problems and solutions may change. Any revisions to Research problems will be posted on the book's Web site at www.pearsonhighered.com/arens.)