

NEW YORK UNIVERSITY
Stern School of Business
Auditing
Spring 2023

PROFESSOR

Gender pronouns:

E-mail:

Office Hours:

Amal Shehata, CPA

She, Her, Hers

ashehata@stern.nyu.edu

Mondays from 4:15 - 5:15pm via Zoom

<https://nyu.zoom.us/j/6338208015>

and by appointment

TEACHING ASSISTANT:

Name:

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Nicolette Hendrawinata

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Wednesdays from 11:15am - 12:15pm via Zoom

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COURSE DESCRIPTION:

Welcome to your Auditing class! This course provides an understanding of the history and regulatory environment of the auditing profession, the philosophy of the auditing process, and the ethical implications of auditing decisions. Critical thinking and communication skills are developed through a variety of means including theory (through reading), current events and case analyses, qualitative and quantitative problem solving, regulatory interpretation and the use of data analytics technology tools. As with most worthwhile events and activities in life, this course is not easy. Most students will not find the topics overly difficult, but the workload is steady and fairly heavy. Please consider this course as a career investment rather than just another step towards graduation or GPA goals. With this perspective, you will be able to put learning first and foremost.

The course objectives for our class are (not in order of importance):

1. Use auditing concepts and variables (e.g. client acceptance, risk assessment, materiality, understanding and testing of internal controls, analytical procedures, substantive audit testing, documentation of evidence, and completing an audit engagement) to make audit planning, testing and evaluation decisions.
2. Analyze real-world examples as they relate to assurance concepts.
3. Understand and apply statistical sampling concepts to audit testing.

4. Work with a team to learn to access and interpret publicly-available financial data and SEC filings to assess risk for a public company.
5. Demonstrate basic proficiency with an auditing data analysis software package that is widely used in practice (IDEA).
6. Examine issues currently facing the profession (e.g., regulation, new standards, technological advancements, legal liability, independence, and more).
7. Examine characteristics of good professional judgment as well as common threats to good judgment.
8. Deliberate on the importance of professional skepticism and integrity for professionals and consider implications of ethical dilemmas that professionals commonly face.
9. And by default, help prepare for the Audit component of the CPA Exam, if applicable.

REQUIRED TEXT AND MATERIAL:

- *Auditing and Assurance Services, A Systematic Approach*, 12th edition (10th or 11th edition is also ok if it saves you money), McGraw-Hill. Messier, Glover, Prawitt, ISBN-13: 9781260687613. You can purchase the ebook or the hardcover and you do **NOT** need the Connect software.
- Course Materials: I will post the powerpoint slides I will use in class on Brightspace. I recommend that you bring either a digital or printed version to class if you would like to take notes.

Auditing Standards:

- All PCAOB standards can be found at <http://pcaobus.org/Standards/Pages/default.aspx>.

GRADES

Grade Components	Percent
Quizzes (equally weighted)	20%
IDEA Assignments	10%
Team Assignment: Risk Assessment	15%
Special Assignments	20%
Discussion Boards	8%
Final Exam	22%
Class Preparation, Attendance and Participation	5%
Total	100%

Each component of the class is discussed in detail below:

QUIZZES

There will be 4 short quizzes throughout the course that will cover recent material. **Quizzes will be given promptly at the beginning of our class for approximately 10 minutes. If you arrive late, you will not be given extra time to complete the quiz.** Quiz material will be based on class lectures and exercises.

IDEA DATA ANALYSIS SOFTWARE ASSIGNMENTS

We are very fortunate to have data analysis software that accompanies our textbook. As the auditing world now has access to MASSIVE amounts of digital data from clients, software has been developed to organize, categorize, interpret, and analyze the data. We will use the IDEA software to demonstrate the power of data analysis technology in the audit world and beyond. I will ask students to lead debrief discussions after assignments are due.

For those of you who do not own PC's, you will need to access the software through the Apps@NYU site or through the computer labs. You will need a USB Memory drive to be used exclusively for the IDEA assignments.

SPECIAL ASSIGNMENTS

We will have several assignments throughout the semester that demonstrate the principles we are studying in-class, such as case studies, a research assignment and discussion board assignments. The discussion board assignments provide current event reading and the opportunity for deeper reflection. You will be required to read the material, post your responses on Brightspace and respond to your classmates' responses.

Please note that the class discussion is an important component for all Special Assignments; thus, if you do not attend class on the date the cases are due, you will miss the opportunity to participate. These assignments are not equally weighted and **late submissions cannot be accepted**. It is your responsibility to keep track of the due dates and the method of submission.

TEAM PROJECTS

Audits are conducted in teams so we will simulate that experience. You will have 2 team assignments in our class. One is a longer special assignment that you will complete as a team. The second is a risk assessment of a public company that your team will complete over the course of several weeks; detailed instructions will be provided separately.

FINAL EXAM

There will be a final exam at the end of the semester. It will be cumulative, however, I will give you a study guide that specifies the topics. Completing the assigned reading,

participating in class exercises and completing end of chapter exercises from your textbook will best prepare you for the exam.

ATTENDANCE AND PARTICIPATION

Our curriculum incorporates in-class team exercises, in-class demonstrations, guest speakers and robust discussions, thus, your success depends critically on your presence in class. Class sessions are your chance to get help when you need it most from your peers and me. Please make every effort to arrive to class on time and remain for the entire class period. I would appreciate knowing if you are going to arrive to class late, and, if you are going to be late, please enter as unobtrusively as possible. If you will miss class for exceptional reasons, I would appreciate it if you would notify me in advance. Although I understand there are times when you may not be able to attend a class, habitual absences will hurt your performance.

I hope you will be an active participant in class. I will be prepared for class and make every effort to create a hospitable and inclusive environment where you feel comfortable expressing your ideas. By participating in this course, I expect you to make the same effort in return. If ever you feel this is not an inclusive environment, please reach out to me and I am happy to discuss this together. I reserve the right to adjust your final grade based on your level of participation and professionalism in class.

Please note that I will sometimes “flip the classroom” and provide pre-recorded lectures as advance preparation. We will also welcome several guests to our class to discuss how our academic topics relate to the real world.

TEXTBOOK REVIEW QUESTIONS AND PROBLEMS

We will complete many textbook problems in class together. Additionally, each textbook chapter has multiple choice questions that allow you to test your knowledge. I strongly recommend you work all the multiple choice questions for each chapter. These are designed to help you further understand the textbook concepts you have read and perform well on the class exams. I know you are busy so although these practice questions will not be collected for grading, the expectation is that these will be completed prior to coming to class on the day indicated. This is for your benefit – completing the questions each week is a key element to being successful in this class. I will provide answers on Brightspace. You should compare your answers to the answer key, and make sure you understand any differences. I recommend answering the questions by yourself first, and then reading my answers. You will find yourself at a disadvantage on the exams if you do not take advantage of working through the suggested review questions, multiple choice questions and problems.

BRIGHTSPACE:

I will use our learning management system, Brightspace, extensively to email you, post lecture notes, post case studies, solutions, relevant articles and other course material so please make sure you are correctly registered and checking our site on a regular basis. Our class is enrolled in a Learning Analytics pilot that will allow me to gather data on your Brightspace usage and thus better tailor our class time.

ACADEMIC INTEGRITY

Our undergraduate [Academics Pillar](#) states that ***we take pride in our well-rounded education and approach our academics with honesty and integrity.*** Indeed, integrity is critical to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here: www.stern.nyu.edu/uc/codeofconduct

To help ensure the integrity of our learning community, prose assignments you submit to Brightspace will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

GENERAL CONDUCT & BEHAVIOR

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in

Regard to In-Class Behavior & Expectations

(<http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm>) and the NYU Student Conduct Policy (<https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/university-student-conduct-policy.html>).

STUDENT ACCESSIBILITY

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility (212-998-4980, mosescsa@nyu.edu) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation. For more information, visit the CSA website: <https://www.nyu.edu/students/communities-and-groups/student-accessibility.html>

STUDENT WELLNESS

Classes can get stressful. I encourage you to reach out if you need help. The NYU Wellness Exchange offers mental health support. You can reach them 24/7 at 212 443 9999, or via the “NYU Wellness Exchange” app. There are also drop in hours and appointments. Find out more at <http://www.nyu.edu/students/health-and-wellness/counseling-services.html>

Please note: the dates and assignments listed on the following calendar are subject to change

	Date	Topic	Pre-Class Preparation (to be completed <u>before</u> class date)	After-Class Assignments
<i>PART 1: BACKGROUND OF THE AUDITING PROFESSION: Chapters 1, 2, 18, 19</i>				
1	Mon, 1/23/23	Welcome! Overview: What is Auditing?		

		Begin Chap 1		
2	Wed, 1/25/23	Chapter 1: Introduction to Auditing and the Demand for Auditing	Read Chapter 1 in Messier	Discussion Board: An Analysis of Enron's Governance Structure; due 1/27/23 by 10pm, respond to classmate by 11:59pm
3	Mon, 1/30/23	Chap 2: Financial Statement Auditing Environment: Alumnus Guest Speaker: Peter Kind	I am flipping the class for this chapter. Read Chap 2 and watch my pre-recorded lecture before class. Class will be spent exploring the role of the Audit Committee with our guest.	
4	Wed, 2/1/23	Chap 18: Reports on Audited Financial Statements	Read Chapter 18 in Messier Read "Going Concern" case on Brightspace	Discussion Board: Reflection on the PCAOB; due 2/3/23 by 10pm, respond to classmate by 11:59pm
5	Mon, 2/6/23	Finish Chap 18, begin Chap 19: Professional Conduct, Independence and Quality Control	Read Chapter 19 in Messier	Discussion Board: Auditor Independence due 2/7/23 by 10pm, respond to classmate by 11:59pm

6	Wed, 2/8/23	Continue Chapter 19		Special Assignment: KPMG/PCAOB Case Study; due 2/12/2023 by 11:59pm
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PART 2: THE AUDIT PROCESS: Chapters 3-7

7	Mon, 2/13/23	Finish Chap 19 and begin Chap 3: Audit Planning, Types of Audit Tests, and Materiality and debrief KPMG Case		
8	Wed, 2/15/23	Quiz 1 Continue Chapter 3	Read Chapter 3 in Messier	
9	Wed, 2/22/23	Continue Chapter 3		
10	Mon, 2/27/23	Finish Chapter 3 and begin Chapter 4: Risk Assessment		

11	Wed, 3/1/23	Quiz 2 And Chap 4: Risk Assessment	Read Chapter 4 in Messier Please read this article for our class discussion.	
12	Mon, 3/6/23	Chapter 4: Risk Assessment With Guest alumnus, Jenny Lee		Special Assignment: Bitcoin and Blockchain: Audit Implications of the Killer Bs, Module 1 only, due 3/7/2023
13	Wed, 3/8/23	Finish Chap 4 And Audit Movie!		
14	Mon, 3/20/23	Chapter 5: Evidence and Documentation	Read Chapter 5 in Messier	
15	Wed, 3/22/23	Quiz 3 Continue Chapter 5		
16	Mon, 3/27/23	Continue Chapter 5		Discussion Board: ICFR Requirement by Tuesday, 3/28/2023

17	Wed, 3/29/23	Chap 6: Internal Control in a Financial Statement Audit and Prep for bitcoin case	Read Chapter 6 in Messier	IDEA Chapters 5, 6, 7; due date: 4/2/23 by 11pm
18	Mon, 4/3/23	Continue Chap 6: Internal Control in a Financial Statement Audit		
19	Wed, 4/5/23	Finish Chap 6 and begin Chap 7: Auditing Internal Control over Financial Reporting	Read Chapter 7 in Messier	Special Assignment (Team): Bitcoin and Blockchain: Audit Implications of the Killer Bs, Module 2 due 4/6/2023 by 11pm
<i>PART 3, Chapters 8-12, 16-17: THE ACTUAL AUDIT!</i>				
20	Mon, 4/10/23	Debrief Bitcoin case and finish Chap 7		

21	Wed, 4/12/23	Chapter 8: Audit Sampling: An Overview & Application to Tests of Controls	Read Chapter 8 in Messier	Risk Assessment Team Assignment and Individual Team Evaluation due 4/16/2023 by 11:59pm
22	Mon, 4/17/23	Finish Chapter 8 and begin Chapter 9: Audit Sampling: An Application to Substantive Tests	Read Chapter 9 in Messier	
23	Wed, 4/19/23	Finish Chapter 9 and begin Chap 10	Read Chapter 10 in Messier	IDEA Chap 8 and 9 due 4/21/23 by 11pm
24	Mon 4/24/23	Continue Chapter 10 with alumnus guest speaker, Aurelien Bouee		
25	Wed, 4/26/23	Quiz 4 Chapter 11: Auditing the Purchasing	Read Chapter 11 in Messier Watch my pre-recorded Chap 11 lecture	Special Assignment: A Closer Look at the Luckin Coffee Accounting Fraud due 4/30/2023 by 11:59pm

		Cycle and begin Chap 17: Completing the Audit Engagement		
26	Mon, 5/1/23	Chapter 17 Luckin Debrief	Read Chapter 17 in Messier	
27	Wed, 5/3/23	Finish Chap 17		IDEA Chapters 16, 18, 19, 20 due 5/7/23 by 11pm
28	Mon, 5/8/23: Last class!	Catch Up, LDC Fraud Case and IDEA Debrief	Read LDC Fraud Case background	
	Date TBD	Final Exam		