

NEW YORK UNIVERSITY
Stern School of Business
Auditing
Fall 2017

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Location: E&Y Learning Center (Tisch LC)

Course Description:

Welcome to your Auditing class! In today's accounting environment it is critical that employees at all levels understand the auditing process, including the theory, philosophy, and practice of auditing and the ethical implications of auditing decisions. This course provides an understanding of the history and regulatory environment of the auditing profession and the philosophy of the auditing process, thus providing students with the skills necessary for effective decision-making in regard to auditing, financial reporting, and ethics. Critical thinking and communication skills are developed through a variety of means including case analyses, qualitative and quantitative problem solving, regulatory interpretation and the use of information technology tools. Many of you will begin careers in areas that relate to topics and skills covered in this course. 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. Analyse real-world examples as they relate to auditing and assurance concepts you are learning.
3. Apply statistical sampling concepts to auditing tests of controls, transactions and balances.
4. Gain an understanding for the power of data analysis technological tools for the financial statement audit and beyond.
5. Demonstrate basic proficiency with an auditing data analysis software package that is widely used in practice (IDEA).
6. Collaborate in teams to solve problems, analyse cases and present findings in written form.
7. Examine issues currently facing the profession (e.g., regulation, new standards, technological advancements, legal liability, independence, competition, new services).

8. Examine characteristics of good professional judgement as well as common threats to good judgement.
9. Deliberate on the importance of professional scepticism and integrity for professionals and consider implications of ethical dilemmas that professionals commonly face.
10. And by default...help prepare you for the Audit component of the CPA Exam if applicable.

Required Text and Material: You can choose the hardcopy or ebook, as you prefer.

- *Auditing and Assurance Services, A Systematic Approach, 10th edition.* McGraw-Hill. Messier, Glover, Prawitt. (ISBN 978-0-07-786233-6). The ebook appears to be the more affordable choice and it comes with the Connect software for homework assignments.
- Link to register for Connect software: <http://connect.mheducation.com/class/a-shehata-fall-2017-2pm-tues-thurs>
- The Runner’s Shop case study: this digital case will be available for purchase through the bookstore

Auditing Standards:

- Full text of all AU/ISA standards can be found online at <http://www.aicpa.org/Research/Standards/Pages/default.aspx>.
- All PCAOB standards can be found at <http://pcaobus.org/Standards/Pages/default.aspx>.

Grading Policy:

Grade Components	Percent
Midterm I	20%
Midterm II	20%
Final Exam	25%
Homework: Individual Assignments, Group Assignment, IDEA, Special Topics, Class Participation	35%
Total	100%

Each component of the class is discussed in detail below:

Midterms and Final Exam

There will be two midterms and one comprehensive final exam in this course. The exams are a combination of multiple choice and short answer/essay questions. Material will be taken from class lectures and the textbook. Completing the assigned reading, participating in class exercises and completing all of the suggested exercises from your textbook will best prepare you for the exams. A **simple** calculator is permitted; the use of graphing calculators (e.g. TI-80s or higher), PCs, iPods, translators, or cell phones during exams is not permitted.

Homework Assignments

There will be several homework assignments during the semester to be completed either independently or in groups. All assignments will be due at 11pm the evening before class, some via NYU Classes and some via the Connect portal that accompanies our textbook. These assignments have been selected based on topics that will be most beneficially supplemented by an assignment. A chronological listing of all assignments is provided at

the end of your syllabus; **it is your responsibility to keep track of due dates and method of submission.** Homework will consist of the following:

Individual Assignments:

You will have assignments that you will complete independently. We will usually review the assignment prior to your submission, time permitting, and then debrief as a class after submission.

Group Assignments:

Audits are performed in teams and working as a team is a key to success in your future careers in the business world. We will have at least 1 graded group assignment this semester, along with group exercises during class. Team members should read and prepare their own preliminary solutions prior to discussing as a group and preparing a group solution. In other words, arrive at your group meeting prepared to present and discuss your opinion. Even though only one write-up will be collected, all team members will be responsible for the materials, including understanding the team's answers to assigned questions, in all of the group cases. Team solutions should reflect that they are a group effort, ie, printed from one file rather than several short solutions stapled together. Team write-ups will be evaluated for both technical competence and writing quality. We will also have in-class exercises that you will complete as teams and special topics (see below).

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.

For those of you who do not own PC's, you will need to access the software through the Apps@NYU Citrix sight or borrow a PC from the Stern IT department. Please plan appropriately when you need to borrow a computer as you are limited to 4-hour increments.

Special Topics

We will have special topics that relate to real-life auditing scenarios that provide examples of the principles we are learning throughout this course. These cases will come from a variety of sources, including links to articles and organization websites. All students will be required to read the material and answer questions online.

Teams will be selected (in advance) to lead the debrief discussion for the class and answer class questions. Please note that the class discussion is an important component for these assignments; thus, if you do not attend class on the date the cases are due, you will miss the opportunity to participate. **Late submissions cannot be accepted.**

Bonus Opportunities

You will have the opportunity to earn bonus points towards your overall grade on a periodic basis. You will be given an "opportunity" which consists of actual CPA exam multiple choice questions that cover the material in the assigned readings for the week. Opportunities are closed book/notes. It is important to note that if you do not receive points from an opportunity, this **CANNOT** hurt your grade. Doing well on the opportunities can only help your grade. If you score 8 or higher on an opportunity, 1 point will be added to your midterm grade. If you miss class, you cannot "make-up" the opportunity. To be fair to the rest of the class, no exception will be made to this policy.

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 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 do everything I can to make the classroom a hospitable and respectful environment where you feel comfortable expressing your ideas. I expect you to participate fully and contribute to in-class discussions to get the most out of the curriculum. I reserve the right to adjust your final grade based on your level of participation and professionalism in class.

Textbook Review Questions and Problems

The syllabus lists relevant review questions and problems for each chapter of the Messier textbook. In addition, each 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, perform well on the class exams, and eventually the CPA exam. 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 NYU Classes. 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 penalized on the exams if you do not take advantage of working through the suggested review questions, multiple choice questions and problems.

During class, please turn off all audible technology (i.e. phones, pocket PCs, iPod's iPad's etc.) as well as laptop computers, except when we using for a class exercise.

NYU Classes:

I will use NYU Classes regularly to email you, post lecture notes, post case studies, homework solutions, relevant articles and other course material so please make sure you are correctly registered and checking our sight on a regular basis.

Academic Integrity

Integrity is critical to the learning process and 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 NYU Classes 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 Disruptive Behavior Policy (<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/bullying--threatening--and-other-disruptive-behavior-guidelines.html>).

Students With Disabilities:

If you have a qualified disability and 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 Students with Disabilities (CSD, 998-4980, www.nyu.edu/csd) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

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

	Date	Topic	Reading to be completed <u>before</u> class date	Assignments to be submitted	Suggested Exercises from Messier textbook (not to be turned in)
<i>PART 1: THE AUDITING PROFESSION: Chapters 1, 2, 18, 19</i>					
1	9/5/17	Welcome and Overview: What is Auditing?			
2	9/7/17	Chapter 1: Introduction to Auditing and the Demand for Auditing and begin Chapter 2	Read Chapter 1 in Messier		Chap 1: RQ: 2, 3, 5, 7 MC: all
3	9/12/17	Chapter 2: Financial Statement Auditing Environment	Read Chapter 2 in Messier	Special Topic: PCAOB Inspections; due 9/11/17 by 11pm	Chap 2: MC: all (2-15 through 2-23) RQ: 4, 5, 6, 7, 9, 10, 12, 13, 14; P: 25
4	9/14/17	Finish Chap 2 and begin Chap 18: Reports on Audited Financial Statements	Read Chapter 18 in Messier Read "Going Concern" Case in your coursepack prior to class		Chap 18: RQ 1, 2, 3, 6, 8; MC: all P: 22, 23, 28
5	9/19/17	Finish Chap 18 and begin Chap 19: Professional Conduct, Independence and Quality Control	Read Chapter 19 in Messier	Special Topic: Audit Reports; due 9/18/17 by 11pm	
6	9/21/17	Chapter 19: Professional Conduct, Independence and Quality Control	Read "A Celebration to Remember" in your coursepack prior to class		Chap 19: RQ: 3, 4, 8, 10; MC: all P: 28, 29, 30, 31
<i>PART 2: THE AUDIT PROCESS: Chapters 3-7</i>					
7	9/26/17	Finish Chap 19 and begin Chap 3: Audit Planning, Types of Audit Tests, and Materiality	Read Chapter 3 in Messier	Special Topic: Auditor Independence Violations due 9/25/17 by 11pm	Chap 3: RQ: all; MC: all P: 29, 31, 32
8	9/28/17	Chapter 3: Audit Planning, Types of Audit			

	Date	Topic	Reading to be completed <u>before</u> class date	Assignments to be submitted	Suggested Exercises from Messier textbook (not to be turned in)
		Tests, and Materiality			
9	10/3/17	Finish Chap 3 and begin Chapter 4: Risk Assessment	Read Chapter 4 in Messier	Chap 3 Connect HW: EarthWear 3 mini-cases due 10/2/17 by 11pm	Chap 4: RQ: 1, 2, 3, 4, 6, 8, 9; MC: all P: 30, 32, 33, 34, 35, 38
10	10/5/17	Chapter 4: Risk Assessment			
11	10/10/17	Catch up and Review	Read Adams Bank in your coursepack before class	Special Topics: Overstock.com due 10/9/17 by 11pm	
12	10/12/17	Midterm 1			
13	10/17/17	Chapter 5: Evidence and Documentation	Print and review "The Runner's Shop" case		Chap 5 RQ: 2, 3, 4, 8, 9, 11, 14; MC: all P: 30, 32-36
14	10/19/17	Chapter 5: Evidence and Documentation			
15	10/24/17	Chapter 6: Internal Control in a Financial Statement Audit		The Runner's Shop case due in class (hard copy) on 10/24/17	Chap 6: RQ: 3, 5, 6, 7, 10, 11 MC: all P: 29, 30, 31
16	10/26/17	Finish Chap 6, Begin Chap 7: Auditing Internal Control over Financial Reporting	Read Chapter 7 in Messier Read 2 Internal Control articles (United Way and Long Island School district) on NYU Classes	Chap 6 Connect HW: Earthwear mini-case due Tues, 10/25/17 by 11pm	Chap 7: RQ: 1, 3, 6, 7, 8, 10, 12, 14, 15 MC: all P: 35, 37, 38

	Date	Topic	Reading to be completed <u>before</u> class date	Assignments to be submitted	Suggested Exercises from Messier textbook (not to be turned in)
17	10/31/17	Chapter 7: Auditing Internal Control over Financial Reporting	Read Estee Lauder case in your coursepack before class		
PART 3, Chapters 8-12, 16-17: THE ACTUAL AUDIT!					
18	11/2/17	Chapter 8: Auditing Sampling: An Overview and Application to Tests of Controls	Read Chapter 8 in Messier		Chap 8: RQ: 1-10; MC: all P: 21-31
19	11/7/17	Chapter 9: Audit Sampling: An Application to Substantive Tests of Account Balances	Read Chapter 9 in Messier	Chap 6 and 8 mini-case assignment due on 11/6/17 by 11pm	Chap 9: RQ: 1-10; MC: all P: 21-26
20	11/9/17	Catch up and Review			
21	11/14/17	Midterm 2		Team assignment distributed	
22	11/16/17	Chapter 16: Auditing Cash	Read Chapter 16 in Messier	Print and bring Simply Soup confirmation case to class	Chap 16: RQ: 1, 3 -7 MC: all P: 26, 27, 29
23	11/21/17	Finish chap 16 and begin Chapter 10: Auditing the Revenue Process	Read Chapter 10 in Messier	Simply Soup case due in-class (hardcopy) 11/21/17	Chap 10: RQ: 3, 6 - 10; MC: all, P: 24, 25, 26, 28
24	11/28/17	Chapter 10: Auditing the Revenue Process	Read KPMG Exercise in your coursepack prior to class: Majestic Hotels	Special Topics: Satyam due 11/27/17 by 11pm	
25	11/30/17	Chapter 11: Auditing the Purchasing Process	Read Chapter 11 in Messier Read article regarding payroll on NYU Classes		Chap 11: RQ: 1-12 MC: all P: 24, 27 - 30

	Date	Topic	Reading to be completed <u>before</u> class date	Assignments to be submitted	Suggested Exercises from Messier textbook (not to be turned in)
26	12/5/17	Chapter 17: Completing the Audit Engagement	Read Chapter 17 in Messier	Special Topics: Lumber Liquidators due 12/4/17 by 11pm	Chap 17: RQ: 1-12 MC: all P: 23, 25, 27
27	12/7/17	Group Activity and Audit movie		Team Assignment due 12/6/17 by 11pm: Elite Running	
28	12/14/17	Catch up and review		IDEA Assignment due 12/12/17	
	TBD	Final Exam 4pm – 5:50pm			

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