

**NEW YORK UNIVERSITY**  
**Stern School of Business**  
**Auditing**  
**Fall 2019**

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Class Times:            Tuesdays & Thursdays: 2:00 - 3:15pm

**TEACHING ASSISTANT:**

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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. Analyse real-world examples as they relate to assurance concepts you are learning to a team assignment.
3. Apply statistical sampling concepts to tests of controls, transactions and balances.
4. 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, competition, new services).
7. Examine characteristics of good professional judgement as well as common threats to good judgement.
8. Deliberate on the importance of professional scepticism and integrity for professionals and consider implications of ethical dilemmas that professionals commonly face.
9. 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, 10<sup>th</sup> edition.* McGraw-Hill. Messier, Glover, Prawitt. (ISBN 978-0-07-786233-6). You can purchase the ebook or the hardcover and you do **NOT** need the Connect software. I also keep a copy of the textbook on file at Bobst for anyone to access.
- The Runner's Shop: this digital case will be available for purchase through the bookstore
- USB Memory Drive for IDEA Assignments

**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:**

<b>Grade Components</b>	<b>Percent</b>
Midterm I	20%
Midterm II	20%
Final Exam	20%
IDEA Assignments	10%
Team Assignment: Risk Assessment	15%
Other Assignments and Class Participation	15%
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 end of chapter exercises from your textbook will best prepare you for the exams. I will provide a simple 4-function calculator for all exams, no outside material is permitted.

## **Homework Assignments**

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There will be several assignments during the semester to be completed either independently or in groups. These assignments have been selected based on topics that will be most beneficially supplemented by an assignment. **It is your responsibility to keep track of due dates and method of submission.** Homework will consist of the following:

### **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 Citrix sight or through the computer labs. You will need a USB Memory drive to be used exclusively for the IDEA assignments.

## **Special Topics**

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We will have special topics that relate to real auditing scenarios that illustrate 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.**

## **Cases**

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We will have several cases throughout the semester that demonstrate the principles we are studying in-class. One of the cases is a team assignment that will allow you to perform a risk assessment of a public company over the course of several weeks; detailed instructions will be provided separately.

## **Bonus Opportunities**

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You will have the opportunity to earn bonus points towards your overall grade on a periodic basis. An "opportunity" consists of actual CPA exam multiple choice questions that cover the material in the assigned readings for the week. Opportunities are closed book/notes and will be taken outside of class time online courtesy of the Gleim CPA Review Company. 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 80% or higher on an opportunity, 1 point will be added to your midterm 2 grade. If you miss the online window to take the test, 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**

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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.

### **Forum on NYU Classes**

I will assign current event articles related to the Auditing profession and ask you to comment on the article in our Forum sight on NYU Classes. Your comments will be visible to the entire class and I look forward to your diverse and interesting perspectives.

### **Textbook Review Questions and Problems**

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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 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 at a disadvantage 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. Our class is enrolled in a Learning Analytics pilot that will allow me to gather data on your NYU Classes usage and thus better tailor our class time.

## **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](http://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](http://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 calendar are subject to change**

	<b>Date</b>	<b>Topic</b>	<b>Reading to be completed <u>before</u> class date</b>	<b>Cases and Current Event Assignments</b>	<b>Hands-On Practicum: IDEA Software Assignments</b>
<b><i>PART 1: THE AUDITING PROFESSION: Chapters 1, 2, 18, 19</i></b>					
1	Sept 3, 2019	Welcome! Overview: What is Auditing?	Read “What is an Audit for” (The Economist) article and comment on the forum	Rosie’s Case in-class (no advance prep required)	
2	Sept 5, 2019	Chapter 1: Introduction to Auditing and the Demand for Auditing and begin Chapter 2	Read Chapter 1 in Messier		
3	Sept 10, 2019	Chap 2: Financial Statement Auditing Environment, begin Chap 18: Reports on Audited Financial Statements	Read Chapter 2 in Messier  Read “Going Concern” Case in your coursepack prior to class		
4	Sept 12, 2019	Continue Chap 18	Read Chapter 18 in Messier		
5	Sept 17, 2019	Chapter 19: Professional Conduct, Independence and Quality Control	Read “A Celebration to Remember” in your coursepack prior to class	Special Topic: Auditor Independence Violations due 9/18/19 by 11pm	
6	Sept 19, 2019	Finish Chap 19 and begin Chap 3: Audit Planning, Types of Audit Tests, and Materiality	Read Chapter 3 in Messier  Read Chap 3 Earthwear mini-cases in your coursepack	Read SEC Press Release in your coursepack and comment on the forum: “KPMG Paying \$50 Million Penalty for Illicit Use of PCAOB Data and Cheating on Training Exams”	
<b><i>PART 2: THE AUDIT PROCESS: Chapters 3-7</i></b>					
7	Sept 24, 2019	Continue Chapter 3		Team Project Overview: “Using Public Company Filings to Plan the Audit and Perform Risk Assessment Procedures”	
8	Sept 26, 2019	Continue Chapter 3	Read Chapter 3 in Messier		
9	Oct 1, 2019	Finish Chap 3 and begin Chapter 4: Risk	Read Chapter 4 in Messier		

	<b>Date</b>	<b>Topic</b>	<b>Reading to be completed <u>before</u> class date</b>	<b>Cases and Current Event Assignments</b>	<b>Hands-On Practicum: IDEA Software Assignments</b>
		Assessment			
10	Oct 3, 2019	Chapter 4: Risk Assessment	Read Adams Bank in your coursepack before class		
11	Oct 8, 2019	Finish Chap 4 and Team Project Discussion			IDEA Tutorial Assignment due 10/13/19 by 11pm
12	Oct 10, 2019	Catch Up and Audit Movie			
13	Oct 17, 2019	<b>Midterm 1</b>			
14	Oct 22, 2019	Chapter 5: Evidence and Documentation	Read Chapter 5 in Messier  Print and review “The Runner’s Shop”		
15	Oct 24, 2019	Chapter 5: Evidence and Documentation	Read Deloitte Case 17-9: Contradictory Evidence before class		
16	Oct 29, 2019	Finish Chap 5 and begin Chap 6: Internal Control in a Financial Statement Audit	Read Chapter 6 in Messier	The Runner’s Shop case review in class	
17	Oct 31, 2019	Continue Chap 6	Read Chap 6 Earthwear mini-case in your coursepack	Team Assignment due 10/30/2019	
18	Nov 5, 2019	Chapter 7: Auditing Internal Control over Financial Reporting	Read Chapter 7 in Messier	Special Topic: SEC proposes relaxing ICFR requirement for smaller companies due 11/4/19 by 11pm	
19	Nov 7, 2019	Finish Chap 7 and begin Chap 8: Audit Sampling: An Overview & Application to Tests of Controls	Read Chapter 8 in Messier	Complete Inventory Management Assertions Class Exercise in your coursepack before class on 11/7/19	IDEA Chapters 5, 6, 7 due 11/11/19 by 11pm
20	Nov 12, 2019	Finish Chapter 8 and begin Chapter 9: Audit Sampling: An Application to	Read Chapter 8 in Messier  Read Chap 6 and 8 mini-case assignment for class discussion		

	<b>Date</b>	<b>Topic</b>	<b>Reading to be completed <u>before</u> class date</b>	<b>Cases and Current Event Assignments</b>	<b>Hands-On Practicum: IDEA Software Assignments</b>
		Substantive Tests of Account Balances			
21	Nov 14, 2019	Finish Chapter 9	Read Chapter 9 in Messier		IDEA Chapters 8 and 9 due 11/17/19 by 11pm
22	Nov 19, 2019	<b>Midterm 2</b>			
23	Nov 21, 2019	Chapter 16: Auditing Cash	Read Chapter 16 in Messier	Print and bring Simply Soup confirmation case to class	
24	Nov 26, 2019	Finish Chap 16 and begin Chap 10: Auditing the Revenue Process	Read Chapter 10 in Messier		
25	Dec 3, 2019	Chapter 10: Auditing the Revenue Process	Read KPMG Exercise in your coursepack prior to class: Majestic Hotels		
26	Dec 5, 2019	Chapter 11: Auditing the Purchasing Process	Read Chapter 11 in Messier  Read "Facebook and Google Were Victims of \$100M Payment Scam" and comment in our forum	Simply Soup case due in-class (hardcopy) 12/5/19	
27	Dec 10, 2019	Group Activity and Chapter 17: Completing the Audit Engagement	Read Chapter 17 in Messier		IDEA Chapters 16, 18, 19, 20 due 12/9/18 by 11pm
28	Dec 12, 2019	Finish Chap 17 and Review			
	<b>Dec 17, 2019</b>	<b>Final Exam 2pm</b>			



