

NEW YORK UNIVERSITY
Stern School of Business
Auditing
Fall 2020

PROFESSOR: Amal Shehata, CPA

Gender pronouns: She, Her, Hers

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Office: KMC 10-90 (10th floor)

Office Hours: Please sign up for office hours through the link below

<https://calendly.com/amalshhata/office-hours-with-professor-shehata?month=2020-08>

Class Times: Tuesdays/Thursdays from 2-3:15pm EST

TEACHING ASSISTANT:

Name: Bonnie Dai

Email: zd532@stern.nyu.edu

Office Hrs: Please sign up for Bonnie's office house using the link below:

<https://calendly.com/bonniedai/audit>

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.
3. Apply statistical sampling concepts to tests of controls, transactions and balances.
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, 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:

- *Auditing and Assurance Services, A Systematic Approach, 11th edition* (10th 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.
- The Runner's Shop: this digital case will be available for purchase through the bookstore
- USB Memory Drive for IDEA Assignments
- Student PDFs: I will post PDFs on NYU Classes that will include the relevant Powerpoint slides used during lecture and the problems we will complete together in class. The PDFs are interactive worksheets that should be used for note-taking and to solve class problems. If you have access to a printer, it is ideal to print and keep the PDFs in chronological order in a binder. Alternatively, you can use the complimentary access to Adobe to take notes on the PDF. **You will need to access the PDFs for each class session.**

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
Quizzes (equally weighted)	30%
Final Exam	25%
IDEA Assignments	10%
Team Assignment: Risk Assessment	15%
Other Assignments and Class Preparation	20%
Total	100%

Each component of the class is discussed in detail below:

Quizzes

There will be periodic quizzes throughout the course that will cover recent material. **Quizzes will begin promptly at the beginning of our Zoom class for approximately 8-10 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. No outside material is permitted and the Stern Honor Code will apply.

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.

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.

Graded Assignments

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.** Graded assignments will consist of the following:

Special Topics

We will have special topics related to current event auditing issues that illustrate the principles we are learning throughout this course. These assignments provide you the opportunity for deeper reflection and the readings 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. 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

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.

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. I will make full use of our Zoom technology, using breakout rooms and polls, and I expect students to have their cameras on. 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. If you have circumstances that prevent you from turning on your camera, please notify me in advance (I like to see your faces!).

I hope you will be an active participant in class. I will do everything I can to make the classroom a hospitable and inclusive 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.

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 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.

NYU Classes:

I will use NYU Classes extensively to lay out our weekly schedules, 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 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
- 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 calendar are subject to change

	Date	Topic	Reading to be completed <u>before</u> class date	Cases and Current Event Assignments	Hands-On Practicum: IDEA Software Assignments
PART 1: THE AUDITING PROFESSION: Chapters 1, 2, 18, 19					
1	Thurs, 9/3/2020	Welcome! Overview: What is Auditing? Begin Chap 1		Rosie's Case in-class (no advance prep required)	
2	Tues, 9/8/2020	Chapter 1: Introduction to Auditing and the Demand for Auditing and begin Chapter 2	Read Chapter 1 in Messier		
3	Thurs, 9/10/2020	Chap 2: Financial Statement Auditing Environment: Guest Speaker, Peter Kind.	I am flipping the class for this chapter. Please read Chap 2 in Messier and watch my pre-recorded lecture before class. Class time will be spent exploring the governing structure and the role of the Audit Committee with our guest speaker.	Special Topic: Enron and the role of the Audit Committee due 9/9/20 by 11pm	
4	Tues, 9/15/2020	Chap 18: Reports on Audited Financial Statements	Read Chapter 18 in Messier Read "Going Concern" Case in your Chap 18 Student PDF prior to class		
5	Thurs, 9/17/2020	Finish Chap 18, begin Chap 19: Professional Conduct, Independence and Quality Control	Read Chapter 19 in Messier		
6	Tues, 9/22/2020	Finish Chap 19	Read "A Celebration to Remember" in your Chap 19 Student PDF prior to class		
PART 2: THE AUDIT PROCESS: Chapters 3-7					
7	Thurs, 9/24/2020	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 9/23/20 by 11pm Distribute Team Project groups: "Using Public Company Filings to Plan the Audit and Perform Risk Assessment Procedures"	
8	Tues, 9/29/2020	Quiz 1: Chap 18/19 Continue Chapter 3	Read Chapter 3 in Messier		
9	Thurs, 10/1/2020	Finish Chap 3	Read Chap 3 Earthwear mini-cases		

	Date	Topic	Reading to be completed <u>before</u> class date	Cases and Current Event Assignments	Hands-On Practicum: IDEA Software Assignments
		Guest Speaker: NYU Alum and KPMG Audit Partner, Ruth Tang.			
10	Tues, 10/6/2020	Chapter 4: Risk Assessment	Read Chapter 4 in Messier		
11	Thurs, 10/8/2020	Finish Chap 4 Detailed Team Project Discussion	Read Adams Bank Case in “Chap 4 PDF for students” before class		OPTIONAL IDEA Tutorial Assignment due 10/7/20 by 11pm (1 bonus point on quiz total if you submit it by due date and earn min score of 80%)
12	Tues, 10/13/2020	Quiz 2: Chap 3 and 4 Audit Movie			
13	Thurs, 10/15/2020	Chap 5: Evidence and Documentation	Purchase and review digital case, “The Runner’s Shop”		
14	Tues, 10/20/2020	Chapter 5: Evidence and Documentation	Read Chapter 5 in Messier	The Runner’s Shop case review in class	
15	Thurs, 10/22/2020	Finish Chapter 5: and begin Chap 6: Internal Control in a Financial Statement Audit	Watch my intro video on the Deloitte Case 17-9: Contradictory Evidence before class Read Chapter 6 in Messier		
16	Tues, 10/27/2020	Chap 6: Internal Control in a Financial Statement Audit	Read Chap 6 Earthwear mini-case Read “The Admissions Scandal” article prior to class		
17	Thurs, 10/29/2020	Chapter 7: Auditing Internal Control over Financial Reporting	Read Chapter 7 in Messier	Special Topic: SEC relaxes ICFR requirement for smaller companies due 10/28/20 by 11pm	
18	Tues, 11/3/2020	Quiz 3: Chap 5 Finish Chap 7			
19	Thurs, 11/5/2020	LDC Cloud Systems Anti-Fraud Case and begin Chap 8		Read LDC Cloud Systems Anti-Fraud Case before class and complete online questions by 11/4/2020	

	Date	Topic	Reading to be completed <u>before</u> class date	Cases and Current Event Assignments	Hands-On Practicum: IDEA Software Assignments
20	Tues, 11/10/2020	Chap 8: Audit Sampling: An Overview & Application to Tests of Controls	Read Chapter 8 in Messier Read Chap 6 and 8 mini-case assignment for class discussion		IDEA Chapters 5, 6, 7 due 11/11/20 by 11pm
21	Thurs, 11/12/2020	Finish Chapter 8 and begin Chapter 9: Audit Sampling: An Application to Substantive Tests of Account Balances	Read Chapter 9 in Messier	Team Assignment due 11/15/2020 by 11pm via NYU Classes	
22	Tues, 11/17/2020	Finish Chapter 9 and begin Chapter 10: Auditing the Revenue Cycle	Read Chapter 10 in Messier		
23	Thurs, 11/19/2020	Continue Chap 10		KPMG Majestic Hotels Exercise in class (no advance prep)	IDEA Chapters 8 and 9 due 11/18/20 by 11pm
24	Tues, 11/24/2020	Chapter 11: Auditing the Purchasing Cycle	Read Chapter 11 in Messier Watch my pre-recorded lecture prior to class Read article: "Facebook and Google Were Victims of \$100M Payment Scam" prior to class	KPMG Exercise in class: Search for Unrecorded Liabilities (watch the pre-recorded lecture)	
25	Tues, 12/1/2020	Chapter 17: Completing the Audit Engagement	Read Chapter 17 in Messier Watch my pre-recorded lecture prior to class		
26	Thurs, 12/3/2020	Finish Chapter 17, IDEA Debrief and Catch Up			IDEA Chapters 16, 18, 19, 20 due 12/2/20 by 11pm
27	Tues, 12/8/2020	PwC Advisory Director, Travis Ringger, will guest speak about how technology is changing the Audit function.		Special Topic: How will technology change the Audit profession? Due date 12/7/2020 by 11pm	
28	Thurs,	Exam Review Session			

	Date	Topic	Reading to be completed <u>before</u> class date	Cases and Current Event Assignments	Hands-On Practicum: IDEA Software Assignments
	12/10/2020				
	TBD	Final Exam			

