

**NEW YORK UNIVERSITY**  
**Stern School of Business**  
**MS-Accounting**  
**Auditing, Fall 2022**

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**PROFESSOR INFORMATION:**

**Name:** Frank Romeo, CPA  
**Gender pronouns:** He, Him, His  
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**Office Hours:** **By Appointment**  
<https://nyu.zoom.us/j/3117571212>

**Class Meetings:** Wednesdays: 5PM – 8PM EST (with 20 minute break)  
**(KMEC 3-110)**

**TEACHING ASSISTANT INFORMATION:**

**Name:** Mia LaBianca  
**Gender Pronouns:** She, Her, Hers  
**Email:** [MSL636@stern.nyu.edu](mailto:MSL636@stern.nyu.edu)  
**Office Hours:** **Monday 3:30 – 4:30**  
<https://nyu.zoom.us/j/8819937447>

**Due to Covid protocol, no eating is permitted in our classroom and masks must be worn at all times. No exceptions are allowed so please plan accordingly.**

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

#### **REQUIRED TEXT AND MATERIAL:**

- *Auditing and Assurance Services, A Systematic Approach, 11<sup>th</sup> edition*, McGraw-Hill. Messier, Glover, Prawitt, ISBN-13: 9781260687613. You can purchase the ebook or the hardcover and you do **NOT** need the Connect software.
- USB Memory Drive for IDEA Assignments
- Class slides (provided by instructors): We will post our slides by Tuesday morning at 10am prior to our Wednesday evening class. We will provide printed copies for those who prefer; otherwise, ensure you have access to the slides for easy note-taking.
- **Please make sure you bring your name plates to each class.**

#### **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>.

## GRADES

Grade Components	Percent
Quizzes (equally weighted)	20%
IDEA Assignment	10%
Team Assignment: Risk Assessment	15%
Special Assignments	25%
Final Exam	20%
Class Preparation and Participation	10%
Total	100%

Each component of the class is discussed in detail below:

### QUIZZES

There will be 5 short quizzes throughout the semester 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 topics are listed on the schedule; please note that any topics discussed in class could be on a Quiz; not just our reading material.

### 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. As a courtesy, our Teaching Fellow will host a demonstration session to familiarize you with the software. This optional session is highly recommended. Timing will be announced.

For those of you who do not own PCs, 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.

### TEAM PROJECT

You will be assigned 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.

### SPECIAL ASSIGNMENTS

We will have several assignments throughout the semester that demonstrate the principles we are studying in-class. Some of the cases will require pre-class work to prepare for the in-class interactive analysis. 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. **It is your responsibility to keep track of due dates and method of submission, late submissions are subject to grade reduction.**

## **FINAL EXAM**

There will be a final exam at the end of the semester. It will be cumulative; however, a study guide that specifies the topics will be provided later in the semester. 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; you will learn from your peers. Please make every effort to arrive to class on time and remain for the entire class period. I would appreciate being informed in advance 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 also appreciate advanced notice. Note that habitual absences will hurt your performance.

I am hopeful that you will be an active participant in class. I will make every effort to create a hospitable and inclusive environment where you feel comfortable expressing your ideas. By participating in this course, it is expected that you will make the same effort in return. If ever you feel this is not an inclusive environment, please reach out so we can discuss in more detail.

I reserve the right to adjust your final grade based on your level of participation and professionalism in class.

## **TEXTBOOK REVIEW QUESTIONS AND PROBLEMS**

Each textbook chapter has multiple choice questions that allow you to test your knowledge. It is strongly recommended that 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 quizzes. This is for your benefit – completing the questions each week will help you learn the material. Answers will be provided 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

Our learning management system, Brightspace, will be used 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 us to gather data on your Brightspace usage and thus better tailor our class time.

## AFTER-CLASS REFLECTION MEMO

After each class session, we will provide a memo where you can reflect on your key take-aways and share any areas of confusion. The research on adult learning indicates that students who immediately reflect on curriculum have a higher rate of retention. In addition to this benefit, the memos provide me with insight into any topics that need further clarification. Completing these memos within 24 hours of our class session **will count** towards a portion of your participation grade.

## ACADEMIC INTEGRITY

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.

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](mailto: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 see your class and assignment calendar on the following pages.....

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

	<b>Date</b>	<b>Topic</b>	<b>Pre-Class Preparation (to be completed <u>before</u> class date)</b>	<b>After -Class Assignments</b>
1	9/21/22	Welcome!  Chapter 1: Introduction to Auditing Chap 2: Financial Statement Auditing Environment:	Read Chapters 1 and 2 in Messier  Read <a href="#">this article</a> and be prepared to discuss in class	Special Assignment #1:  KPMG/PCAOB Case Study (due 10/5)

2	9/28/22	<p><b>Quiz 1</b></p> <p>Chap 18: Reports on Audited Financial Statements</p> <p>And</p> <p>Chapter 7: Auditing Internal Control over Financial Reporting</p>	<p>Read Chapters 18 and 7 in Messier</p> <p>Read “Going Concern” Case on Brightspace prior to class</p>	<p>Special Assignment #1: KPMG/PCAOB Case Study (due 10/5)</p>
3	10/5/22	<p><b>Quiz 2</b></p> <p>Finish Chapter 7 and begin Chapter 19: Professional Conduct, Independence and Quality Control</p>	<p>Read Chapter 19 in Messier</p> <p>Please watch Chap 19 pre-recorded introductory lecture <b>before</b> class.</p> <p>2 readings:</p> <ol style="list-style-type: none"> <li>1. <a href="#">Independence Violations</a></li> <li>2. <a href="#">Audit Bid Investigation</a></li> </ol>	<p>Special Assignment #2: SEC EDGAR Research Assignment due by 10/12 5pm (submit and bring to class)</p>



4	10/12/22	<p>Finish Chap 19 and discuss Audit Planning and Risk Assessment</p> <p>Debrief SEC EDGAR Assignment</p>	Read Chapter 3 in Messier	SEC EDGAR Research Assignment due by 10/12 5pm (submit and bring to class)
5	10/19/22	<p><b>Quiz 3</b></p> <p>Complete Chapter 3: Materiality</p> <p>And</p> <p>False Assurance Audit Movie</p>		<p>Special Assignment #3:</p> <p>The Reel Wheel: Using Analytical Procedures due 11/1 by 11:59pm</p>
6	10/26/22	<p>Chapter 4: Risk Assessment</p> <p>and</p> <p>Introduce Chapter 10: Auditing the Revenue Cycle</p>	Read Chapter 4 in Messier	<p><b>Team Project</b> Risk Assessment assignments: "Using Public Company Filings to Plan the Audit and Perform Risk Assessment Procedures" due by 11/18 by 11:59pm</p>

7	11/2/22	Complete Chapter 10	Special Assignment #3, Part 1 and 2: The Reel Wheel to be completed by 11/1 at 11:59pm.  <b>Bring computers</b>	
8	11/9/22	<b>Quiz 4</b>  Chapter 11: Auditing the Purchasing Cycle	Read Chapter 11 in Messier and  Read posted article before class	
9	11/16/22	LDC Fraud Case	Read LDC Fraud case posted on Brightspace.	Special Assignment #4:  A Closer Look at the Luckin Coffee Fraud due date 11/30
10	11/30/22	Guest Speaker		IDEA Assignment due 12/14

11	12/7/22	<b>Quiz 5</b> Chapter 13: Auditing the Inventory Cycle  Debrief Luckin Coffee	Read Chapter 13 in Messier textbook	IDEA Assignment due 12/14 by 5pm
12	Last Class: 12/14/22	IDEA Debrief  Chapter 17: Completing the Audit Engagement  Catch up/Review	Read Chapter 17 in Messier textbook	IDEA Debrief
	<b>Final  Exam</b>	<b>TUESDAY  12/20</b>	<b>3:00 – 5:00</b>	