

**NEW YORK UNIVERSITY**  
**Stern School of Business**  
**Auditing**  
**Spring 2022**

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**PROFESSOR**

**Gender pronouns:**

**E-mail:**

**Class Times:**

**Office Hours:**

Amal Shehata, CPA

She, Her, Hers

[ashehata@stern.nyu.edu](mailto:ashehata@stern.nyu.edu)

Monday/Wednesdays from 11am - 12:15pm ET

Tuesdays: 10:30 - 11:15am and 1-2pm via Zoom

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

**TEACHING ASSISTANT:**

**Name:**

**Gender pronouns:**

**E-mail:**

**Office Hours:**

Neil Dittrich

He, Him, His

[ond207@stern.nyu.edu](mailto:ond207@stern.nyu.edu)

Wednesdays: 2-3pm

<https://nyu.zoom.us/j/6593140046>

**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. 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 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 for the Audit component of the CPA Exam, if applicable.

#### REQUIRED TEXT AND MATERIAL:

- *Auditing and Assurance Services, A Systematic Approach, 11<sup>th</sup> edition* (10<sup>th</sup> 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:

- 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)	16%
IDEA Assignments	10%
Team Assignment: Risk Assessment	20%
Special Assignments	25%
Final Exam	20%
Class Preparation and Participation	9%
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.

## 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 site 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 ASSIGNMENTS

We will have several assignments throughout the semester that demonstrate the principles we are studying in-class, such as a case study, 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.** .

### **TEAM PROJECT**

You will be assigned a team project 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. 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](http://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](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 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
<b><i>PART 1: BACKGROUND OF THE AUDITING PROFESSION: Chapters 1, 2, 18, 19</i></b>				
1	Mon, 1/24/22	Welcome! Overview: What is Auditing? Begin Chap 1		
2	Wed, 1/26/22	Chapter 1: Introduction to Auditing and the Demand for Auditing	Read Chapter 1 in Messier	<b>Discussion Board: An Analysis of Enron's Governance Structure;</b>  due 1/30/22 by 10pm, respond to classmate by 11:59pm
3	Mon, 1/31/22	Chap 2: Financial Statement Auditing Environment:  <b>Guest Speaker:</b>  <b>Peter Kind</b>	I am flipping the class for this chapter. Read Chap 2 and watch my pre- recorded lecture <b>before</b> class. Class will be spent exploring the role of the Audit Committee with our guest.	

4	Wed, 2/2/22	Chap 18: Reports on Audited Financial Statements	Read Chapter 18 in Messier  Read "Going Concern" Case posted on Brightspace prior to class	
5	Mon, 2/7/22	Finish Chap 18, begin Chap 19: Professional Conduct, Independence and Quality Control  <b>Guest Speaker, EY Audit Partner/NYU Alum, Eyal Seinfeld</b>	Read Chapter 19 in Messier  Please watch my Chap 19 pre-recorded lecture <b>before</b> class. Class time will be spent exploring real world examples with our guest.	<b>Discussion Board: Reflection on the PCAOB;</b>  due 2/6/22 by 10pm, respond to classmate by 11:59pm
6	Wed, 2/9/22	Continue Chapter 19		<b>Discussion Board: Auditor Independence</b>  due 2/13/22 by 10pm, respond to classmate by 11:59pm
<b>PART 2: THE AUDIT PROCESS: Chapters 3-7</b>				



7	Mon, 2/14/22	Finish Chap 19 and begin Chap 3: Audit Planning, Types of Audit Tests, and Materiality	Read Chapter 3 in Messier  Read <a href="#">SEC Press Release</a> of 2 independence violations posted on Brightspace prior to class	KPMG/PCAOB Case Study assigned; due 2/28/22
8	Wed, 2/16/22	<b>Quiz 1: Chap 18/19</b>  Continue Chapter 3	Read Chapter 3 in Messier	
9	Wed, 2/23/22	Continue Chapter 3		
10	Mon, 2/28/22	Finish Chapter 3 and debrief KPMG Case		SEC EDGAR Assignment, due 3/9/2022
11	Wed, 3/2/22	<b>Quiz 2: Ch 3</b>  And  Audit Movie!		

12	Mon, 3/7/22	Chapter 4: Risk Assessment	Read Chapter 4 in Messier	
13	Wed, 3/9/22	Finish Chap 4	Read Adams Bank Case on Brightspace before class	
14	Mon, 3/21/22	Chapter 5: Evidence and Documentation	Read Chapter 5 in Messier	
15	Wed, 3/23/22	Continue Chapter 5		
16	Mon, 3/28/22	Continue Chapter 5	Read Chapter 6 in Messier	
17	Wed, 3/30/22	Chap 6: Internal Control in a Financial Statement Audit	Read Chapter 6 in Messier  Read <a href="#">Inventory theft</a> article	

18	Mon, 4/4/22	Continue Chap 6: Internal Control in a Financial Statement Audit		
19	Wed, 4/6/22	Finish Chap 6 and begin Chap 7: Auditing Internal Control over Financial Reporting	Read Chapter 7 in Messier	Team Assignment and Individual Team Evaluation due 4/9/2022 by 11pm
<b><i>PART 3, Chapters 8-12, 16-17: THE ACTUAL AUDIT!</i></b>				
20	Mon, 4/11/22	Finish Chap 7 and begin Chapter 8		
21	Wed, 4/13/22	Chapter 8: Audit Sampling: An Overview & Application to Tests of Controls	Read Chapter 8 in Messier	IDEA Chapters 5, 6, 7; due date: 4/14/22 by 11pm

22	Mon, 4/18/22	<b>Quiz 3</b>  Chapter 9: Audit Sampling: An Application to Substantive Tests	Read Chapter 9 in Messier	
23	Wed, 4/20/22	Chap 10	Read Chapter 10 in Messier	IDEA Chap 8 and 9 due 4/22/22 by 11pm
24	Mon, 4/25/22	Continue Chapter 10		
25	Wed, 4/27/22	Chapter 11: Auditing the Purchasing Cycle	Read Chapter 11 in Messier  Watch my pre-recorded Chap 11 lecture	<b>Research Assignment:</b>  A Closer Look at the Luckin Coffee Accounting Fraud due by 4/26/22 at 11pm
26	Mon, 5/2/22	<b>Quiz 4</b>  Chapter 17: Completing the Audit Engagement	Read Chapter 17 in Messier	

27	Wed, 5/4/22	Finish Chap 17 And Luckin' debrief		
28	Mon, 5/9/22	Time Permitting:  LDC Fraud Case  and  IDEA Debrief	Read LDC Fraud Case background	IDEA Chapters 16, 18, 19, 20 due 5/8/22 by 11pm
	<b>TBD</b>	<b>Final Exam</b>		