

**Accounting**  
**Course Number: 29:010:430**  
**Course Title: Auditing**

## COURSE DESCRIPTION

The goal of this class is to encourage critical thinking and professional judgment in the context of auditing. There has never been a time in our profession where there has been such a revolution in the way auditing operates and the way in which auditing is perceived by the external public.

This course is anchored by the overarching principle of maintaining professional skepticism in auditing. We will attempt to get the “big picture” of auditing to understand what competing pressures auditors face.

Further, there is never a need to overly stress the need to memorize in the profession as auditors in the “real world,” will have access to a vast amount of supporting software, firm specific auditing procedures and the ability to search and ask for information from your audit team members. Thus, at all times we will emphasize what does it all mean, how did the profession get here and where will it go in the future. For example, when learning controls, we will understand what controls we will be looking at, attempt to evaluate sets of controls and to understand why we are evaluating the controls from a risk perspective. We will also evaluate if auditors and regulators are in conflict with each other and we will need to evaluate why this occurs. Since auditing is a monopoly, we need to emphasize how and why independence is so important.

Auditing is a wonderful profession but since it is performed by human beings we need to understand why we need to be vigilant in our **professional skepticism**. At the end of the course, I will consider it a success if you simply remember that when following the principle of professional skepticism, the most important question an auditor can learn to ask is the question “WHY?” Therefore, you will learn to think critically about accounting and auditing issues, primarily through case analysis and group projects

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## COURSE MATERIALS

- The book for this course *Auditing and Assurance Services 7<sup>th</sup> ed.* McGraw Hill (ISBN: 978-1-259-57328-6) is available for purchase from the RU-Newark bookstore or the McGraw Hill website.
- KPMG. Elevating Professional Judgment in Auditing and Accounting. The KPMG Judgment Framework. 2011 – Available on Canvas
- PCAOB Auditing Standards – Available at [www.pcaobus.org](http://www.pcaobus.org)
- Other handouts made available in class or on Canvas

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## LEARNING GOALS AND OBJECTIVES

This course examines how audit ecology, audit risks, and audit evidence influence the auditing process. It is also designed to increase professional judgment and develop critical thinking skills.

The objectives of this class are for you to develop an understanding of the overall auditing profession, the auditing environment and what procedures auditors use to perform audits. After completing this course, you should be able to:

- Document the rationale for an auditor's professional judgment in a difficult accounting context.
- Identify the different stages of an audit
- Identify the risks associated with performing an audit and how auditors address the threats when developing a risk-based audit plan
- Understand the importance of internal controls, identify weak vs. strong controls and make recommendations to improve weak controls
- Describe how auditors provide assurance on financial statements
- Explain the procedures auditors use to substantiate financial statement accounts and how auditors respond to risk by evaluating evidence
- Identify auditors' responsibility
- Identify the different types of audit reports and the circumstances surrounding the issuance of those reports
- Understand the role professional judgment, skepticism and critical thinking plays in auditing
- Communicate effectively by demonstrating an ability to construct clear, concise, and convincing oral and written business communications.

You will develop these skills and knowledge through the following course activities and assignments:

- **Lectures.** The objective of class lectures is to cover auditing concepts and standards presented in the pre-assigned readings. Lectures make use of practical examples from auditing and interactive group exercises to help ensure thorough comprehension of the material.
- **Quizzes.** Quizzes are assigned to reinforce concepts in the course and for students to practice newly acquired skills. All quizzes will be reviewed in class to ensure knowledge transfer.
- **Case Analysis.** Audit cases are used as a mechanism to explain and discuss the issues addressed in the course. The cases address actual, real-life audit situations. For each case, you will be asked to think as an auditor, analyze the situation, and answer related case questions. Critical thinking will be emphasized.
- **Small Group Project.** Students are assigned to a small group (3-4 students per group) project. Groups must work together as a team to complete the project and each student must individually participate in addressing the project requirements.
- **Exams.** The course includes three non-cumulative tests to formally assess students' knowledge and comprehension. Tests consist of multiple choice, short answer questions, and problems.

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## PREREQUISITES

## EXPECTATIONS

“Learning is a self-motivated process.” In life you are your best asset. Your willingness to work and be accountable for your work helps to define your success. The combination of your knowledge, experience, curiosity, commitment and work ethic will ensure that success.

In this class you are expected to be accountable for your success. *Meaning you are responsible for:*

- Coming to class consistently, on time and prepared
- Communicating any absence or concern in advance
- Listening to class announcements and monitoring canvas for any changes to the class schedule/ calendar (**no make ups will be given for missing an assignment, quiz or exam, so keeping track of updates will be important**)
- **Reading and completing all assignments prior to coming to class.**
- Maintaining a respectful and professional classroom
- Completing assignments, quizzes and exams on time and with **proper effort**
- Actively participating in class discussions and taking notes
- **THE SLIDES ARE POSTED TO CANVAS UNDER COURSE DOCUMENTS PRIOR TO EACH CHAPTER’S DISCUSSION.**
  - You are responsible for reading and answering the questions in the slides prior to class. During class you will be called on at random to answer these questions and participate in the discussion. Failure to do so means a reduction in your participation grade. If necessary (due to lack of participation) I will collect the answers to the slides as during the beginning of class as a participation grade.

As a professor, I am responsible for:

- Maintaining a respectful and supportive classroom environment
- Preparing class material that challenges and helps to improve your ability to make supported judgments and decisions
- Facilitating learning and fostering critical thinking
- **Assist** you in acquiring new knowledge (**you are responsible for reading assigned material prior to class, completing assignments and participating in class**)

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## CLASSROOM CONDUCT

It is important that the classroom environment be conducive to learning for all students. Accordingly, I ask that you do not engage in behaviors that can negatively affect the learning environment for other students such as:

- ◇ Side conversations with classmates; talking while the professor is speaking (these make it difficult for your classmates to actively listen)
- ◇ **Your pagers, cell phones and other electronic devices ringing during class. (Even more**

**unprofessional: Answering your cell phone)**

- ◇ Preparing to leave class before class is dismissed.
- ◇ Inattention/non-participation during group discussion and case analysis.
- ◇ **Laptops will be permitted only if used to take notes and follow course material. Sending text messages to friends, reading the paper and other online activities are not permitted. I reserve the right to ban laptops if this occurs.**

*I realize that most students do not need to be advised on what constitutes poor behavior as listed above and apologize to those for whom this may be unnecessary. However, experience has shown that for some students, such specification is necessary.*

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## EXAM DATES AND GRADING POLICIES

*Your course grade will be based on the following:*

Participation	50
Assignments	50
Group Project	75
Quizzes	25
Examinations (3)	<u>300</u>
Total Points	<u>500</u>

A	100-90%
B+	89-87%
B	86-80%
C+	79-77%
C	76-70%
D	69-60%
F	59-0%

**Please do not attempt to discuss grades during class.** In addition, under no circumstances will any grades be given via email. Grades are updated on Canvas. Students can see the professor in office hours or make an appointment for any grade discussion. This class is not graded on a curve; neither are

any of the tests or assignments. No extra credit will be given after letter grades have been assigned nor will be any extra credit be given that is not available to all students equally.

## **GRADE BREAKDOWN**

### **Attendance**

Attendance is mandatory. Class attendance will not be part of the grade computation, but unexcused absences will reduce your grade. **Attendance will be taken during each class. When and how attendance is taken will vary.** Consistent with department policy each unexcused absence results in escalating penalties: 1% of course grade for first unexcused absence, 2% for second, 4% for third and so forth.

### **Participation**

**50 points** of this grade will come from class participation as outlined below.

This is a course where we develop, share, and question ideas and opinions. Accordingly, I expect you to actively participate in the class discussion. Emphasizing participation allows us to take advantage of the experiences of everyone in the class. It is expected that you will participate in every class.

**Please note; you do not get participation points merely because you attend class!** The grade for participation will vary from 0-50. **As a guide, a 50 will be given to a person who participates in class every day, is prepared, volunteers answers, asks good questions, and discusses interesting opinions in every class.** A person who does all of the above, but only occasionally volunteers thoughtful questions and opinions will receive 25-30 points and a person who attends every day, but rarely volunteers an answer will get 10-15 points. Lack of meaningful participation and sporadic attendance will result in 0 points.

Twice during the semester, you will be required to provide me with your assessment of your level of class participation. I will review your assessment and give you my assessment of your participation. This assessment is meant to give you timely feedback and the opportunity to increase your level of participation if necessary. Remember, class participation can only help you improve your grade, not hurt you!!

The participation grades will be updated on Canvas periodically, to allow you to see your standing. REMEMBER, these grades are dynamic meaning an increase in your participation can improve them and a decrease in your participation will reduce your grade!!!!!!

**Assignments** **ALL assignments are to done individually,** unless noted by the professor.

**50 points** of this grade will come from a total of at least 7 assignments. Only the highest 5 assignments will be counted towards your grade. The lowest (at minimum 2) will be dropped.

**NO MAKE-UPS.** These assignments will be given out at random. You will not know in advance when an assignment will be given in-class. If you are not in-class, the day an assignment is given you will forfeit those points. Grades may be based on either the level of effort put forth or accuracy. If completed as a group assignment, put all group member's first and last name on one turned in document. Your professor will provide instructions on how assignments should be completed.

Out of class assignments will typically be in the form of a case based on the current week's topic. You are required to turn in at the beginning of the class the day that they are due. Each case is followed by a series of questions that you must answer in the form of a cohesive analysis (do not simply answer the question, answer in complete sentences and there should be an effective introduction, body and conclusion). This means you will be writing a complete analysis, including how each of the questions. In addition to these questions, **for each case you should identify the RELEVANT authoritative auditing guidance and how this guidance is related to the case.** This includes the current PCAOB standards. Depending on the individual case, your case analysis should total approximately 1-3 pages (12-point font and double spaced). There are no make-ups failing to meet the deadline for these assignments.

### **Group Project (75 points)**

The details and due date regarding the group project will be given via handout at a later date in the course. This project involves data analytics and will allow you to become familiar with types of tools used in practice. The groups will consist of three students and each student will be required to present during the group presentation.

### **Quizzes (25 points)**

The quizzes will be during class. The quizzes may cover the reading material for that corresponding class period or past material. They may be given at any time during the class period and there will be NO MAKE-UPS for missed quizzes. If you come to class late and the quiz has already started, you will not be given extra time to complete the quiz and you may not be able to take the quiz at all if too much time has passed.

The purpose of these quizzes is to ensure that you are prepared for class and have a grasp of the material covered in the related chapters. **IMPORTANT:** If you miss a quiz, you will not be allowed to make-up missed quizzes. At least 5 quizzes will be given. If more than 5 quizzes are given the lowest quiz grade(s) will be dropped. Therefore, only the top 5 quizzes will be counted towards your grade. Each quiz is worth 5 points.

### **Examinations**

The first 2 exams will include multiple choice, short answer, or problems, and may be cumulative. **However, please note that since this class builds on previously discussed concepts, any of the exams, including the final is subject to have review questions on it to ensure that you have retained the appropriate knowledge.** The exam questions will be based on reading assignments; lectures and any materials covered in class. The final exam WILL be cumulative.

The dates and times for the examinations are shown on the schedule. Students are expected to be in attendance at every examination. If a student has an acceptable excuse for missing an examination (death in the family, provable illness), **the student must inform me and obtain permission to miss the examination BEFORE the examination.** Failure to obtain the necessary permission will result in a zero grade. There will be **no make-up exams!!!**

NO study aids, notes, computers, cell phones or other electronic devices are allowed during an exam. If times permits, you may review your exam in class. Otherwise, you may come during office hours or by appointment to review your exams. I retain all exams.

**CHEATING:** Any student deemed to be copying, cheating or even the appearance of either will receive a zero for that assignment, exam, etc. As deemed by the professor, the case may be escalated and sent to the Dean for review.

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## ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue all violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through SafeAssign or Turnitin, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See [business.rutgers.edu/ai](http://business.rutgers.edu/ai) for more details.

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## COURSE SCHEDULE

**\*\*\*IMPORTANT\*\*\***

**THE SCHEDULE IS SUBJECT TO CHANGE. CHECK CANVAS AND YOUR RUTGERS EMAIL DAILY. YOU ARE RESPONSIBLE FOR ANY CHANGES THAT ARE COMMUNICATED VIA THESE CHANNELS.**

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## Week 1

### *Course Overview & Intro to Auditing*

#### **For Next Class**

(1) Read “Elevating Professional Judgment in Auditing and Accounting – Available on Canvas

(2) Read Chapter 1: Auditing and Assurance Services (pages 1-31)

(3) Module B: Professional Ethics (pages 628-654; 659-663)

(3) Complete the Ethics Position Questionnaire. The questionnaire can be found on Canvas and should be completed and uploaded to Canvas

Read: **(Please note all reading should take place prior to class: Be prepared to discuss the answers to the powerpoint (available via Canvas) slides in class.**

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## Week 2

### *Understanding the Audit Process and The Importance of Professional Judgment & Skepticism & Ethics*

- Elevating Professional Judgment in Auditing and Accounting (2011) – available on Canvas
- Chapter 1: Auditing and Assurance Services (pages 1-31)
- Module B: Professional Ethics (pages 628-654; 659-663)

#### **For Next Class**

- Chapter 2: Professional Standards
  - Chapter 3: Engagement Planning
  - PCAOB Auditing Standard #1005 (Independence)
  - PCAOB Audit Standard #2101 (Audit Planning)
  - PCAOB Audit Standard #2105 (Materiality)
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### **Week 3**

#### *Professional Ethics and Professional Standards AND Engagement Planning and Audit Evidence*

- Chapter 2: Professional Standards
- Chapter 3: Engagement Planning
- PCAOB Auditing Standard #1005 (Independence)
- PCAOB Audit Standard #2101 (Audit Planning)
- PCAOB Audit Standard #2105 (Materiality)

#### **For Next Class**

- Chapter 4: Management Fraud and Audit Risk (pages 117-123; 130-152)
  - PCAOB Audit Standard #1101 (Audit Risk)
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### **Week 4**

#### *Audit Risk*

- Chapter 4: Management Fraud and Audit Risk (pages 117-123; 130-152)
- PCAOB Audit Standard #1101 (Audit Risk)
- Discussion of Group Project

#### **For Next Class**

- Chapter 4: Management Fraud and Audit Risk (pages 124-129)
  - Chapter 6: Employee Fraud and Audit of Cash (pages 227-235)
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### **Week 5**

#### *Fraud Risk Assessment*

- Chapter 4: Management Fraud and Audit Risk (pages 124-129)
- Chapter 6: Employee Fraud and Audit of Cash (pages 227-235)

#### **For Next Class**

- Chapter 5: Risk Assessment: Internal Control Evaluation
  - PCAOB Audit Standard #2201 (paragraphs 39-61)
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### **Week 6**

*Internal Control Evaluation and Risk Assessment*

- Chapter 5: Risk Assessment: Internal Control Evaluation
- PCAOB Audit Standard #2201 (paragraphs 39-61)

**For Next Class**

- Chapter 7: Revenue and Collection Cycle
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**Week 7**

*Auditing the Revenue Cycle*

- Chapter 7: Revenue and Collection Cycle

**For Next Class**

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**Week 8**

*Auditing the Revenue Cycle & Auditing the Purchase Cycle*

- Chapter 7: Revenue and Collection Cycle

**For Next Class**

- Chapter 8: Acquisition and Expenditure Cycle
  - Chapter 6: Employee Fraud and the Audit of Cash (pages 236-261)
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**Week 9– NO CLASS**

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**Week 10**

*Auditing the Purchase Cycle & Auditing Cash*

- Chapter 8: Acquisition and Expenditure Cycle
- Chapter 6: Employee Fraud and the Audit of Cash (pages 236-261)

**For Next Class**

- Chapter 6: Employee Fraud and the Audit of Cash (pages 236-261)
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**Week 11**

*Auditing Cash*

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**Week 12**

*Group Project Presentations*

**For Next Class**

- Module H
  - Audit Analytics and Continuous Audit (Available on Canvas) (pages 53-59; 91-98; 108-112)
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**Week 13**

*Auditing in a Digital Environment*

- Module H
- Audit Analytics and Continuous Audit (Available on Canvas) (pages 53-59; 91-98; 108-112)

**For Next Class**

- Chapter 11: Completing the Audit
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**Week 14**

*Completing the Audit*

- Chapter 11: Completing the Audit

**For Next Class**

- Chapter 12 Reports on Audited Financial Statements
- Chapter 5 (Appendix B)

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## Week 15

### *Audit Reports*

- Chapter 12 Reports on Audited Financial Statements
- Chapter 5 (Appendix B)

### FINAL EXAM - TBD

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## SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at [ods.rutgers.edu](http://ods.rutgers.edu).

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email [dsoffice@echo.rutgers.edu](mailto:dsoffice@echo.rutgers.edu)]

[Rutgers University-Newark ODS phone (973)353-5375 or email [ods@newark.rutgers.edu](mailto:ods@newark.rutgers.edu)]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email [jackie.moran@rutgers.edu](mailto:jackie.moran@rutgers.edu)]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email [TitleIX@newark.rutgers.edu](mailto:TitleIX@newark.rutgers.edu)]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email [deanofstudents@echo.rutgers.edu](mailto:deanofstudents@echo.rutgers.edu)]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email [DeanofStudents@newark.rutgers.edu](mailto:DeanofStudents@newark.rutgers.edu)]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: [https://cm.maxient.com/reportingform.php?RutgersUniv&layout\\_id=7](https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7) . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at [TitleIX@newark.rutgers.edu](mailto:TitleIX@newark.rutgers.edu). If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email [run.vpva@rutgers.edu](mailto:run.vpva@rutgers.edu)]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

If you are a military *veteran* or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of *mental health* services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of *physical health* services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of *legal* services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: [PALS@newark.rutgers.edu](mailto:PALS@newark.rutgers.edu)]

[Rutgers–New Brunswick: [eslpals@english.rutgers.edu](mailto:eslpals@english.rutgers.edu)]

If you are in need of additional *academic assistance*, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>]

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]