UNIVERSITY OF PENNSYLVANIA

AUDITING

FALL 2013
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Karl G. Fassnacht

Text: Auditing and Assurance Services, Inc., An Integrated Approach
Fifteenth Edition, Arens, Elder and Beasley
Prentice Hall 2010 ISBN 13:978-0-13-312563-4

Supplement: The Lakeside Company Case Studies in Auditing
Eleventh Edition, Trussel, Frazer
Prentice Hall 2008 ISBN13-978-0-13-158851-6

Class Hours: 3:00 PM – 6:00 PM
Monday
Huntsman Hall F65

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AUDITING

SYLLABUS

FALL 2013

OVERVIEW OF THE COURSE

This course provides a comprehensive look at the public accounting profession: its formation, ethics, independence and the role it plays in the capital markets, as well as the rules in conducting audits of business entities. The course will address topics such as: nature of auditing; the CPA profession; the audit report; professional ethics; legal liability; the audit process (planning, developing and executing the audit program). The course will also focus on the current state of the CPA profession.

The textbook contains the most current literature regarding the profession and the audit process. However, the nature of the profession and the audit process are in a continuous state of change; textbook content will be supplemented with current materials as the semester progresses.

The textbook discusses the integrated audit process – study and evaluation of internal control and the resultant impact on the development of substantive audit procedures by addressing the nature, extent and timing of performance of such procedures.

Authoritative auditing guidance resides in two places – the Public Company Accounting Oversight Board (PCAOB) Auditing Standards (AS), applicable for audits of publicly traded entities; Statements of Auditing Standards (SAS) Clarified, developed by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA), which deals with audits of both publicly and privately held entities. The SASs have been codified into ten generally accepted auditing standards that are discussed further in the textbook. You will see frequent references to the SASs throughout the textbook.

In keeping with the theme of an integrated audit approach, you will see that your grade will be an accumulation of the following: completion of homework assignments; participation in general class discussion; participation in group exercises; test scores.

As we wind through the course, you will be, through group involvement, participating in a mock audit of a company. The purpose of this mock audit is to reinforce, or "bring to life", the concepts discussed in the textbook and in class.

The beginning sessions will focus on foundation topics and general principles; we will move on to "what do auditors do" by studying the audit process and how auditors conduct the audit. Through the mock audit, we will perform the stages of an audit, namely: planning and designing the audit; performing tests of controls and transactions; performing balance testing; concluding the audit, including reporting.

The corporate accounting scandals of 2000 and 2001, as well as PCAOB inspection results, have led to a significant change in the way the CPA profession policed itself and how audits were conducted. You will witness this change as you read through the text. Auditing standards are changing frequently as accounting scandals and corporate fraud are uncovered and the PCAOB highlights audit deficiencies, with the purpose to strengthen the audit process to detect fraud and irregularities, if they exist, in a client's accounting process.

This course belongs to you the student. I realize that a majority of you may have no intention of entering the public accounting profession. However, this course, and the profession, has several concepts that will help you succeed no matter what field of business or industry you enter. These concepts are: the ability to think critically; the ability to see interrelationships among items; the ability to work in a team setting; the ability to identify and solve issues. The attainment of these qualities will greatly assist you to participate in the world of commerce. Homework preparation and group participation will enable you to hone these skills.

GRADING METHODOLOGY

Your grade is comprised of the following:

-Homework assignments: I will not collect every assignment, but will request them at various times throughout the semester. I will let you know in advance what assignments I will collect. This will comprise 15% of your grade.

-Group participation: you will be performing a mock audit; the materials will be graded. This will comprise 25% of your grade.

-Examinations: there will be three examinations throughout the semester. They may be cumulative, and will address materials covered in class, group discussion and homework. They will comprise 60% of your grade.

GRADING

The success you enjoy in this course will be commensurate with the effort you put forth.

Grading will be as follows:

97-100	A+
93-96	A
90-92	A-
87-89	B+
83-86	B
80-82	B-
77-79	C+
73-76	C
70-72	C-

CONSULTATION

I am available to meet with you at a mutually agreeable time, either on campus or by phone, listed on the cover of this document.

CLASS SCHEDULE

WEEK NO.	CONTENTS	HOMEWORK EXERCISES
1	Introduction Chapter 1-The Demand for Audit and Other Assurance Services. Chapter 2-The CPA Profession Chapter 3-Audit Reports	WILL BE DETERMINED AND ASSIGNED DURING CLASS; FOR ALL CHAPTERS
2	Chapter 4-Professional Ethics Chapter 5-Legal Liability	
3	Chapter 6-Audit Responsibilities and Objectives Chapter 7-Audit Evidence	
4	Chapter 8-Audit Planning and Analytical Procedures Chapter 9-Materiality/Risk	
5	Chapter 9-CONTD EXAM #1	
6	Chapters 10/11-SOX 404/Fraud	
7	Chapter 12- IT Impact on Auditing Chapter13-Overall Audit Plan	
8	Chapters 14/16-Sales/Accounts Receivable	
9	Chapters 15/17-Tests of Controls/Balances	
10	Chapters 15/17-CONTD EXAM #2	
11	Chapters 18/19/21/22-Acquisition/Payment Cycle; Inventory; Capital Assets	
12	Chapter 23-Cash	

	Chapter 24-Audit Completion	
13	Chapter 25-Other Assurance Services	
14	Chapter 26-Internal/Govtal/Operational Auditing	
15	Wrap-Up EXAM #3	