Nashville State Community College  
Business & Applied Arts Division  
Computer Accounting

Master Course Syllabus

ACCT 2740 Auditing  
4 Credits  
4 Class Hours

An introduction to auditing. The course emphasizes the traditional role of the attest function and rendering of an opinion on published financial statements. Topics include generally accepted auditing standards (GAAS), the auditor's report (opinion), professional ethics, audit evidence, planning the audit, use of ratios in detecting fraud or material misstatement, internal control, and audit procedures by specific account. Prerequisite(s): ACCT 1020 with a grade of "C" or higher.

Instructor Information:
Name:  
Email:  
Office Phone:  
Office Location:  
Office Hours:

Textbook and Other Materials:
Textbook: Auditing & Assurance Services, 15th edition, by Arens, Elder, and Beasley  
ISBN: 978-0-13-312563-4

Course Outcomes:
Upon successful completion of this course, students should be able to:
• Identify the roles that corporate governance and ethics play in the production of reliable financial statements.
• Specify the different cycles used in the cycle approach to auditing and procedures used to complete the audit.
• Identify internal control strengths and weaknesses and make recommendations for improvement.
• Describe different types of relevant evidence and their relative strength in supporting the audit opinion.
• Identify different methods for sampling data and indicate when each is appropriate.
• Describe the type of audit opinion rendered and the reasons why.

Course Competencies:
The following are detailed course competencies intended to support the course outcomes:
• Distinguish between auditing and accounting, and identify the main types of audits and the primary types of auditors.
Recognize the causes of information risk, and how this risk can be reduced through auditing.

Identify the requirements for becoming a CPA.

Describe the nature of CPA firms, what they do, and their structure, and recognize how Sarbanes-Oxley has affected the auditing profession.

Describe the role of the PCAOB, SEC, and AICPA, recognizing which has the highest authority.

Identify the three categories of GAAS, and summarize the standards within each category.

Identify the four categories of audit reports, the distinct parts within those reports, and when each category would be appropriate to issue.

Describe the causes of substantial doubt about going concern, and how it would affect the audit report.

Explain how materiality affects audit reporting decisions.

Distinguish ethical from unethical behavior, and identify the six core values associated with ethical behavior as given by the Josephson Institute.

Describe the three rationalizations of unethical behavior, and recognize the purpose and content of the AICPA Code of Professional Conduct and the importance of ethical conduct for the accounting profession.

Identify Sarbanes–Oxley Act and other SEC and PCAOB independence requirements and additional factors that influence auditor independence.

Recognize why the failure of financial statement users to differentiate among business failure, audit failure, and audit risk has resulted in lawsuits.

Identify accountants’ liability to clients, liability to third parties, civil liability, and criminal liability, and the defenses related to each.

Describe what constitutes ordinary negligence versus gross negligence, and identify examples of each.

Identify the four phases of a financial statement audit, and recognize the tests that occur in each phase.

Describe the differences in fraudulent financial reporting and misappropriation of assets, recognizing the unique dangers related to each.

Recognize the auditor’s responsibility for verifying the financial statements and effectiveness of internal controls, and meeting the audit objectives associated with the financial statement cycles.

Identify the eight types of evidence used in auditing, recognize when each type would be appropriate to use, and describe the costs and benefits associated with each type.

Recognize the characteristics that determine the persuasiveness of audit evidence.

Recognize the purposes of audit documentation, and how audit documentation has been affected by technology.

Discuss why the engagement letter is of such importance to both the auditor and the client.

Recognize the importance of understanding of the client’s business and industry and assessing client business risk.

Identify the most appropriate analytical procedure from among the five major types (recognizing the purpose and timing of each procedure), and identify the most commonly used financial ratios and their use in the scope of a financial audit.

Define materiality, and discuss its importance to the successful completion of an audit.
- Define auditing risk, and identify the four components of the audit risk model, recognizing the significance of each component.
- Recognize the impact of business factors on the assessment of inherent risk, and identify the relationship of risk to audit evidence.
- Describe the three primary objectives of effective internal control, and recognize when there are control deficiencies.
- Recognize management’s responsibilities for maintaining internal control, and the auditor’s responsibilities for evaluating and reporting on internal control.
- Identify the five components of the COSO internal control framework, and give examples of each component.
- Define fraud, distinguish between fraudulent financial reporting and misappropriation of assets, and recognize the appropriate steps to follow if fraud is detected.
- Identify the three conditions that constitute the fraud triangle, and recognize warning signs of each.
- Identify interview techniques that may assist in the detection of fraud, and describe both verbal and non-verbal cues from the client that the auditor should be aware of.
- Identify the risks and benefits associated with the use of an IT-based accounting system, in terms of internal controls.
- Recognize how general controls and application controls reduce IT risks, and identify the categories of general and application controls.
- Define cloud computing, and explain how this has affected auditors’ assessment of risk.
- Describe the major factors affecting an auditor’s appropriate test selection.
- Identify the four types of further audit procedures, and recognize examples of each.
- Recognize the four phases of the audit process, and identify the objectives and types of tests within each.
- Identify the classes of transactions in the sales and collection cycle, and recognize examples of the accounts within each class.
- Distinguish between vouching and tracing, and describe the objectives that are met by each and when each would be appropriate.
- Identify the internal controls over the sales and collection cycle, including controls over returns and allowances.
- Distinguish between statistical and nonstatistical sampling and between probabilistic and nonprobabilistic sample selection.
- Identify the four probabilistic sample selection methods associated with statistical audit sampling, and recognize where each would be appropriately used.
- Recognize the errors that can occur due to sampling versus inspecting the entire population.
- Recognize the auditor’s concerns when auditing accounts receivable, and identify situations where confirmations would be appropriate.
- Identify the eight balance-related audit objectives, and recognize how they differ from the transaction-related audit objectives.
- Distinguish between positive confirmation and negative confirmation, and describe when each would be an appropriate test to use.
- Define Monetary Unit Sampling, describe the associated risks and benefits, and recognize when this type of sampling would be appropriate.
- Recognize when variable sampling would be appropriate.
- Identify the steps contained in audit sampling for tests of details of balances.
• Identify the accounts and the classes of transactions in the acquisition and payment cycle.
• Describe the business functions and the related documents and records in the acquisition and payment cycle.
• Identify the six transaction-related audit objectives, and recognize how those objectives tie to the classes of transactions in the acquisition and payment cycle.
• Discuss the analytical procedures that are most important to auditors in terms of the acquisition and payment cycle.
• Identify the considerations an auditor must weigh in order to determine if the client has properly calculated depreciation expense.
• Recognize the insurance-related documents an auditor should inspect, and what the auditor should determine by examining those documents.
• Identify the accounts and transactions in the payroll and personnel cycle, as well as the forms and documents associated with the cycle.
• Discuss ghost employees, and the procedures auditors use to detect this problem.
• Identify internal controls for the business functions in the payroll and personnel cycle, and recognize why this cycle has minimal risk of material misstatement.
• Recognize the business functions and the related documents and records in the inventory and warehousing cycle.
• Identify the five activities of the audit of the inventory and warehousing cycle, and recognize how they are integrated.
• Describe the processes that cause the audit of the inventory and warehousing cycle to be highly time consuming and expensive for auditors.
• Identify the most important analytical procedures used when auditing notes payable, and discuss what these procedures would determine.
• Recognize how the audit of the capital acquisition and repayment cycle differs for privately and publicly held corporations.
• Identify the two most important balance-related audit objectives when performing an audit of notes payable.
• Recognize the major types of accounts maintained by business entities, and the relationship of cash in the bank to the various transaction cycles.
• Discuss the importance of cutoff bank statements and why they are of such value to the auditor.
• Identify the categories of internal controls over cash balances, and recognize specific controls within those categories.
• Identify the four presentation and disclosure-related audit objectives.
• Describe the conditions necessary for a contingent liability to exist, and recognize the audit tests that could detect the existence of contingent liabilities.
• Identify the auditor’s responsibilities concerning the completion of the audit and the issuance of the audit report, including subsequent events.

**Grading Policy:**
Grading Criteria may vary by instructor. Please refer to the syllabus for your course section for the correct information. This information will be supplied by the instructor at the beginning of the course.
Grading Scale:

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<th>Grade</th>
<th>Average</th>
<th>Points</th>
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<tr>
<td>A</td>
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<tr>
<td>B</td>
<td>80 - 89</td>
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<td>C</td>
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<tr>
<td>D</td>
<td>65 - 69</td>
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<td>F</td>
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Attendance Policy
A student is expected to attend all scheduled classes and laboratories. Each instructor will formulate an attendance policy and provide it on the course syllabus. Absences are counted from the first scheduled meeting of the class, and it is the responsibility of each student to know the attendance policy of each instructor in whose class he/she is enrolled. If a student is absent from a class, he/she should give an advanced explanation to the instructor. Absences in a course may affect a student’s final grade. The student is responsible for all assigned work in the course regardless of excused or unexcused absences. Tardiness may also affect a student’s final grade. Failure to attend class will result in a final course grade of “FA” or “FN” (see explanation below) depending on the individual instructor's course policy.
FA= failure, attendance-related (unofficial withdrawal) Last recorded date of attendance required.
FN= failure, never attended class (unofficial withdrawal)

Student Communication Channels
It is the student’s responsibility to check D2L and MyNSCC email on a regular basis. These are the official communication channels between the college and students. Students are responsible for the information communicated through those channels. D2L contains specific course information and MyNSCC contains information important for other purposes.

Early Warning System
Nashville State Community College has implemented an Early Warning System to notify students via e-mail about academic problems such as poor classroom attendance, poor performance on assignments/tests, poor communication skills, late/missing assignments, and/or lack of classroom participation. Please note that Early Warning Alerts do not affect a student’s academic standing.

ADA Compliance Statement
Nashville State complies with the Americans with Disabilities Act. If you wish to request any special accommodations for any courses in which you are enrolled, contact the Student Disabilities Office at 353.3721.

Classroom Misconduct
Nashville State Community College has a zero tolerance policy for disruptive conduct in the classroom. Students whose behavior disrupts the classroom will be subject to disciplinary sanctions. Please consult your Student Handbook for more specific details.
The instructor has primary responsibility for control over classroom behavior and maintenance of academic integrity. He/she can order temporary removal or exclusion from the classroom of any student engaged in disruptive conduct or in conduct which violates the general rules and regulations of the College.

Disruptive behavior in the classroom may be defined as, but is not limited to, behavior that obstructs or disrupts the learning environment (e.g., offensive language, harassment of students and professors, repeated outbursts from a student which disrupt the flow of instruction or prevent concentration on the subject taught, failure to cooperate in maintaining classroom decorum, etc.), the continued use of any electronic or other noise or light emitting device which disturbs others (e.g., disturbing noises from beepers, cell phones, palm pilots, lap-top computers, games, etc.).

Please be aware that children are not allowed in class or unattended on campus.

**Academic Dishonesty (Honor Code)**

Any form of academic dishonesty, cheating, plagiarizing, or other academic misconduct is prohibited. “Plagiarism may result from: (1) failing to cite quotations and borrowed ideas, (2) failing to enclose borrowed language in quotation marks, and (3) failing to put summaries and paraphrases in your own words (A Writer’s Reference 331). Academic dishonesty may be defined as, but is not limited to, intentionally trying to deceive by claiming credit for the work of another person, using information from a web page or source without citing the reference, fraudulently using someone else’s work on an exam, paper, or assignment, recycling your own work from another course, purchasing papers or materials from another source and presenting them as your own, attempting to obtain exams/materials/assignments in advance of the date of administration by the instructor, impersonating someone else in a testing situation, providing confidential test information to someone else, submitting the same assignment in two different classes without requesting both instructor’s permission, allowing someone else to copy or use your work, using someone else’s work to complete your own, altering documents, transcripts or grades, and forging a faculty/staff member’s signature.

In addition to other possible disciplinary sanctions that may be imposed through regular college procedures as a result of academic dishonesty the instructor has the authority to assign an “F” or a “Zero” for the exercise, paper, or examination or to assign an “F” for the course. Students may appeal through the appropriate college grade appeal procedures.

**Inclement Weather Policy**

In the event of an inclement weather event, check the Nashville State web site home page at www.nscc.edu for announcements on campus closures. Campus closures will also be announced on local television stations (channels 2, 4, 5, and 17).

When classes are cancelled, an online assignment will be posted in NS Online. Check your NS Online email for a message from your instructor regarding your online assignment requirements. Even though classes may be cancelled, some areas, i.e. Testing Center, may be open.

However, you should check before commuting to campus.

The Vice President for Academic Affairs and the Director of Security are responsible for cancellation decisions during an inclement weather event for the Nashville State main campus and the Southeast campus. Cookeville, Waverly, and Dickson Campus Directors will make class cancellation decisions based on conditions in their respective areas. Decisions about class cancellations are based on actual conditions, not forecasts. The perspective used for making decisions is that of the college as an employer, not as a K-12 institution. Students should use
their own best judgment in determining whether to report to campus during inclement weather when classes are not cancelled.

**NOTE:** This syllabus is meant simply as a guide and overview of the course. Some items are subject to change or may be revised at the instructor’s discretion. Each instructor will further clarify their criteria for grading, classroom procedures, attendance, exams and dates, etc. on his/her course syllabus.