

MGT 132: Auditing, SPRING 2021
REVISED 29 March 2021
Tues & Thurs 12:30 PM to 1:50 PM
ON-LINE at Zoom – link will be posted on class website and
invitations sent to all registered members of the class

PROFESSOR: Bruce Blakley, CPA

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OFFICE HOURS – To the extent possible, I will be on a separate Zoom session for one hour prior to each class. If this does not work with your schedule, send me an email and we will schedule either phone call or Zoom meeting that works.

TEACHING ASSISTANT: Stefan Medan (SMedan@UCSD.EDU) office hours via Zoom will be posted as announcement.

NOTE – This syllabus will likely be revised during the quarter – monitor the class website for update notices.

LEARNING OBJECTIVES SUMMARY

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This course emphasizes the process in which the financial statement assurance function is performed, with an emphasis on the auditing of financial statement information. It continues with the content and learning methods introduced in your earlier accounting courses and with emphasis on understanding relevant professional standards and applying those standards. The specific learning outcome objectives are as follows:

Professional responsibilities: Become familiar with the professional standing of Certified Public Accountants (CPA's) – the organizations that provide oversight and

regulation of CPA's and the practice of independent auditing, including discussion of ethical responsibilities.

Overall auditor responsibilities: Understand the nature of audit risk and an auditor's responsibility to detect financial statements misstatements and noncompliance with laws and regulations.

The audit process: Understand the nature of the audit process, including the nature of and relationships among financial statement assertions, audit objectives, audit procedures and audit evidence.

Audit risk: Students will understand the nature of audit risk and an auditor's responsibility to detect financial statement misstatements and noncompliance with those laws and regulations having a material effect on the financial statements.

Reporting requirements: Apply appropriate audit reporting standards to various reporting situations:

This course involves considerable new terminology. Students should be prepared to focus attention on learning new concepts and a framework of professional standards that guide the auditing profession. In this regard, students will be required to learn significant new terminology – many prior students have had difficulty not focusing on this aspect of the course material early in the quarter.

MATERIALS

Auditing – A Practical Approach with Data Analytics, by Raymond Johnson and Laura Wiley, published by WILEYPLUS, First Edition. To access your course material *Auditing: A Practical Approach* WileyPLUS course, click on the Wiley Course Resources link in the Canvas Navigation Menu. You will be prompted to create a WileyPLUS account (or sign into a current account). NOTE: Do NOT remain anonymous or will you lose access to the course after a few weeks. After you have created a WileyPlus account, you will also be able to download the EText that comes with the course. Mgt 132 is part of [Inclusive Access](#), meaning your student account will be charged a reduced price of \$80.00 after the add/drop period. There is an opt-out tool under the RedShelf/Inclusive Access Link. However, if you opt-out of the reduced price, you will lose access to the course content during week 3 and will be prompted pay \$99 to regain access later. [If you decide to opt out you must complete the process by April 10, 2021 and you will be responsible for sourcing the materials elsewhere.](#) For [questions about billing please contact textbooks@UCSD.edu.](#) For any questions about using your Ebook please reference [REDSHELFSOLVE.](#)

Field Code Changed

Watch this video on [How to register and navigate WileyPLUS.](#)

Supplemental material will be posted on the class website – if discussed during class it is subject to coverage during an exam/quiz.

ASSIGNMENTS

Reading and homework assignments follow the course outline (by chapter) and are individual students' responsibility. Homework is due by the start of class according to the schedule below. Make sure that your name and student ID number are clearly indicated on your document so you get credit for your work. **Note homework submissions that are word for word or closely worded from publishers' suggested solutions or other authors' material will receive zero credit. In addition, papers that are identical to other classmates will be considered plagiarized material. The objective is to demonstrate your own work.** Of the seven assignments, the lowest two scores will be dropped in arriving at the total course points for homework.

It is not considered practical or efficient to cover all the text material in class, and therefore, class time will be spent focusing on the major concepts in selected chapters. Lectures and class discussion are meant to supplement the reading and are not intended to be a substitute for it. Success in this course will require you to spend time outside of class reading, studying, and working through homework problems and exercises and term projects.

TERM PROJECT:

Midway through the quarter a "Term Project" will be released and due the last week of class. A maximum of two students can participate as one team for purposes of the term project. One submission for the team can be submitted as long as both students are clearly identified.

GRADING

Assignments	Course Points
Homework – Seven assignments graded 0 to 4 points each – You can drop or not submit two of the seven. 20 max homework points (Best 5 of 7 assignments x 4 pts)	20
Quizzes – best 5 of 6 quizzes – 20 points per quiz	100
Term Project – 2 parts	20
Total	140

TENTATIVE GRADE DISTRIBUTION BASED ON 140 POINTS

A 94-100 %	C 74 – 76
A - 90-93	C- 70 – 73
B+ 87 – 89	D+ 67 – 69
B 84 – 86	D 64 – 66
B- 80 – 83	D- 60 – 63
C+ 77 – 79	F 0 – 59

ATTENDANCE

You are expected to attend our on-line class and contribute to class interaction. You should read the chapter prior to class to be adequately prepared in the event you are called upon by the instructor. It is understood that class members may have difficulty attending the class in person due to time zone differences.

QUIZZES

The quizzes will be open book or notes, are 25 minutes in length from the time you begin and include 10 multiple-choice and 10 true/false type questions. Calculators are not needed for quizzes. They are non-cumulative.

EXAM MAKE-UP POLICY

You are expected to take the examinations on the scheduled dates. If you are unable to be present for a legitimate, **unavoidable** emergency, you are required to give me

notification of your reason prior to the time of the examination. The decision to give a make-up exam and arrangements for taking the makeup exam will be made on an individual basis in those cases where your absence from the regularly scheduled examination is for a legitimate unavoidable and verifiable reason.

SCHEDULE SPRING 2021
NOTE ALL CLASSES ARE RECORDED AND POSTED TO CLASS WEBSITE
GENERALLY WITHIN 24 HOURS

Week No.	Date	Day	Topic	Text Chapters	Assignments (Due at beginning of class on this date)
1	3/30	T	Introduction, Overview of Auditing	1	
1	4/1	TH	Overview and Regulatory Environment	1	
2	4/6	T	Professional Responsibilities	2	Homework # 1
2	4/8	T	Professional Responsibilities & Risk Assessment/Strategy (QUIZ 1 – CHAPTERS 1 & 2)	2/3	
3	4/13	T	Risk Assessment/Strategy	3	Homework # 2
3	4/15	TH	Risk Assessment/Understanding the Client	3/4	
4	4/20	T	Understanding the Client	4	Homework # 3
4	4/22	TH	Audit Evidence (QUIZ 2 – CHAPTERS 3 & 4)	5	
5	4/27	T	Audit Evidence	5	
5	4/29	TH	Understanding Client Internal Controls	6	
6	5/4	T	Testing Controls (QUIZ 3 – CHAPTERS 5 & 6)	8	Homework # 4
6	5/6	TH	Testing Controls/ Substantive Procedures	8/9	
7	5/11	T	Finish Substantive Procedures (QUIZ 4 – CHAPTERS 8 & 9)	9	Homework # 5
7	5/13	TH	Auditing the Revenue Process	11	

8	5/18	T	Auditing the Revenue Process, continued	11	
8	5/20	TH	Auditing Purchasing and Payroll Processes (Quiz 5 – CHAPTERS 11 & 12)	12	
9	5/25	T	Auditing Various Balance Sheet Accounts	13	Homework # 6
9	5/27	TH	Finish Balance Sheet Accounts/ Begin Completing the Audit	13/14	
10	6/1	T	Finish Chapter 14, Begin Auditor's Reports Chapter 15	14/15	Homework # 7
10	6/3	TH	Finish Chapter 15 – (Quiz 6 – Chapters 13, 14 and 15)		
				15	
Final Exam Day	6/7	M	FINAL DAY – WRAP UP COURSE – OPEN DISCUSSION/		

EVENTS

If you have an interest in accounting/auditing as a possible career, you are encouraged to participate in the United Accounting Society's numerous programs, which bring in speakers from the professional community, or the recently founded chapter of Beta Alpha Psi, the national honorary accounting fraternity – another opportunity for those who meet the membership requirements.

ACADEMIC INTEGRITY

Integrity of scholarship is essential for an academic community. As members of the Rady School, we pledge ourselves to uphold the highest ethical standards. The University expects that both faculty and students will honor this principle and in so doing protect the validity of University intellectual work. For students, this means that all academic work will be done by the individual to whom it is assigned, without unauthorized aid of any kind.

The complete UCSD Policy on Integrity of Scholarship and supporting material can be viewed at: <http://academicintegrity.ucsd.edu>

How the Honor Code applies to this course:

The University trusts each student to maintain high standards of honesty and ethical behavior. All assignments submitted in fulfillment of course requirements

must be the student's own work.

STUDENTS WITH DISABILITIES

A student who has a disability or special need and requires an accommodation in order to have equal access to the classroom must register with the Office for Students with Disabilities (OSD). The OSD will determine what accommodations may be made and provide the necessary documentation to present to the faculty member.

The student must present the OSD letter of certification and OSD accommodation recommendation to the appropriate faculty member in order to initiate the request for accommodation in classes, examinations, or other academic program activities. **No accommodations can be implemented retroactively.**

Please visit the <https://disabilities.ucsd.edu/about/index.html> for further information or contact the Office for Students with Disabilities at (858) 534-4382 or osd@ucsd.edu.

WEB SITES FOR REFERENCE

American Accounting Association (www.aaahq.org)
American Accounting Association's Auditing Section (www.aaahq.org/audit/index.htm)
American Institute of Certified Public Accountants (www.aicpa.org)
BDO International (www.bdo.com)
California State Board of Accountancy (www.dca.ca.gov/cba)
Deloitte (www.deloitte.com)
Ernst & Young (www.ey.com)
Financial Accounting Standards Board (www.fasb.org)
Grant Thornton (www.grantthornton.com)
International Auditing and Assurance Standards Board (www.ifac.org/IAASB)
International Federation of Accountants (www.ifac.org)
Institute of Internal Auditors (www.theiia.org)
KPMG (www.kpmg.com)
Panel on Audit Effectiveness (www.pobauditpanel.org)
PCAOB (www.pcaob.org)
PricewaterhouseCoopers (www.pwc.com)
Securities and Exchange Commission (www.sec.gov)
The Center for Audit Quality (<https://www.thecaq.org>)

LEARNING OBJECTIVES

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CHAPTER 1

- Differentiate among assurance, attestation, and audit services
- Describe the different types of assurance services
- Explain the demand for audit and assurance services
- Discuss the different roles of financial statement preparer and the auditor
- Identify the roles of different regulators and organizations that affect the audit profession.
- Explain the concepts of reasonable assurance, materiality, and the nature of an unqualified/unmodified report on the audit of financial statements.
- Explain the concept of reasonable assurance and the nature of an unqualified report on internal controls over financial reporting.
- Discuss the audit expectations gap.

CHAPTER 2

- Explain what it means to be a professional and how these traits apply to auditors.
- Explain the structure of the AICPA Code of Professional Conduct.
- Apply the conceptual framework approach to ethical decision making for members in public practice.
- Evaluate the ethical behavior needed to comply with rules of conduct on integrity and objectivity.
- Evaluate the ethical behavior needed to comply with rules of conduct on independence.
- Evaluate the ethical behavior needed to comply with rules of conduct on general standards.
- Evaluate the ethical behavior needed to comply with other rules of conduct for members in public practice.

CHAPTER 3

- Evaluate client continuance and acceptance decisions.
- Identify the different phases of the audit.
- Explain and apply the concept of materiality.
- Explain professional skepticism and apply the audit risk model.
- Explain how auditors determine their audit strategy and how audit strategy affects audit decisions.

CHAPTER 4

- Apply procedures to gain an understanding of the client.
- Explain how clients measure performance and how it impacts the auditor's risk assessments.
- Demonstrate how auditors use analytical procedures when assessing risk, including the use of audit data analytics.

Define related party transactions and explain how they affect the auditor's risk assessment.

Describe common corporate governance structures and how they impact the auditor's risk assessment.

Explain how a client's internal control and IT can affect risk.

CHAPTER 5

Define management assertions about classes of transactions, account balances, and presentation and disclosure.

Discuss the characteristics of audit evidence.

Apply the procedures for gathering audit evidence, including the use of audit data analytics.

CHAPTER 6

Define internal control and describe the COSO framework.

Explain and evaluate internal controls at the entity level.

Explain and evaluate internal controls at the transaction level.

Discuss the different techniques used to document internal controls.

Explain the importance of identifying strengths and weaknesses in a system of internal control.

Explain how to communicate internal control weaknesses to those charged with governance.

CHAPTER 8

Describe the steps in assessing control risk.

Explain the different types of controls that an auditor might encounter.

Explain the types of evidence that can be used to support a test of controls.

Determine how to select and design tests of controls.

Evaluate the results of tests of controls.

CHAPTER 9

Demonstrate how audit risk, management assertions and substantive procedures are linked.

Describe methods of risk response at the financial statement level.

Explain and analyze factors that impact the nature of substantive procedures at the assertion level, including the usage of data analytics.

Explain and analyze factors that impact the timing of substantive procedures at the assertion level.

Explain and analyze factors that impact the extent of substantive procedures at the assertion level.

Explain and apply audit procedures used to audit accounting estimates.

Describe how auditors document the results of substantive procedures.

CHAPTER 11

Explain the nature of the revenue process.
Evaluate how an auditor's understanding of an entity and its environment affects audit planning decisions in the revenue process.
Determine inherent risk for various assertions in the revenue process.
Evaluate control activities for credit sales transactions.
Evaluate control activities for cash receipt transactions.
Evaluate control activities for sales adjustment transactions and revenue process disclosures.
Determine how to design and perform tests of controls in the revenue process and connect the results of control testing to audit strategy.
Assess detection risk and design substantive tests, including audit data analytics to address various assertions in the revenue process.

CHAPTER 12

Explain the nature of purchasing transactions and balances.
Evaluate how an auditor's understanding of an entity and its environment affects audit planning decisions related to purchases.
Determine inherent risk for various assertions in the purchasing process.
Evaluate control activities for purchase transactions.
Evaluate control activities for cash disbursement transactions.
Determine how to design and perform tests of controls in the purchasing process and connect the results of testing to audit strategy.

CHAPTER 13

Evaluate how an auditor determines and executes an audit strategy for cash and cash equivalents.
Evaluate how an auditor determines and executes an audit strategy for inventory and cost of goods sold.
Evaluate how an auditor determines and executes an audit strategy for property, plant and equipment and depreciation.
Evaluate how an auditor determines and executes an audit strategy for long-term debt, interest expense and stockholders' equity.

CHAPTER 14

Apply the audit procedures used to search for loss contingencies
Distinguish between the two types of subsequent events and evaluate what effect they may have on the financial statements.
Describe engagement wrap-up procedures performed at the end of the audit.
Evaluate the going concern assumptions for a client.
Discuss what reporting is required to management and those charged with governance.

CHAPTER 15

Explain the components of the standard unmodified/unqualified audit report for public and private companies.

- _____ Evaluate situations requiring an additional paragraph to an unmodified opinion
- _____ Discuss modifications to standard opinions when part of the conclusion is based on opinion from other auditors.
- _____ Discuss situations requiring a departure from an unmodified opinion on financial statements
- _____ Analyze how subsequently discovered facts may affect the auditor's report on the financial statements.
- _____ Explain the components of the standard unqualified opinion on the effectiveness of ICFR for public companies
- _____ Explain compilation and review engagements performed on unaudited financial statements of private companies.