

**INTERAMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS
FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES
SCHOOL OF ECONOMICS**

Title of Course : **ADVANCED AUDITING**
Code: BADM 6300
Credits 3
Professor : Evangelina Vives Ph.D, CPA, JD
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Description of course: An advance course in auditing that reviews AICPA pronouncements governing the audit profession. An audit case is included to provide the student with practical situations that will increase the understanding and appreciation of auditing and the auditing environment.
Textbooks: AICPA Professional Standards - as of June 1, 2009

Research paper:
Auditing Cases - An Interactive Learning Approach
Authors: Beasley, Buckless, Glover, Prawitt
Publisher: Pearson - Prentice Hall
Edition: 4th or 4e

Recommended:
Auditing and Assurance Services - Thirteenth Edition
Authors: Arens, Elder and Beasley
Pearson Prentice Hall

Objectives

Distinguish between auditing and accounting
The importance of information risk when conducting an audit
List the causes of information risk and how this risk can be reduced
Distinguish audit services from other assurance and nonassurance services
Differentiate the three main types of audits
Identify the nature of CPA firms, what they do and their structure
Understand the role of the Public Company Accounting Oversight Board
Learn the importance of the role of the SEC in accounting and auditing
Describe the key functions performed by the AICPA
Discuss the relationship of the United States and International Auditing Standards
Learn the General Standards
Learn the Generally Accepted Auditing Standards
Identify the role of quality control standards and an accounting practice
Distinguish ethical from unethical professional behavior as well as personal behavior
and learn the importance of ethical conduct to the accounting profession
Learn the AICPA rule of independence and its importance
Understand the requirements of the AICPA Code of Professional Conduct
Differentiate between the objectives of conducting an audit of financial statements and
an audit of internal control
Distinguish managements responsibility for the financial statements and internal
control from the auditor's responsibility for his opinion and for discovering
material misstatements
Explain the relationship between audit objectives and the accumulation of audit
evidence
Learn to design audit programs
Learn the characteristics of persuasive evidence
Learn the importance and purpose of audit documentation
Explain the importance of audit planning
Explain the need and reason for understanding the client's business and industry
Learn how to assess the client business risk
Learn planned detection risk, inherent risk and control risk
Evaluation of management's integrity
Learn how to obtain and document an understanding of internal control
Learn how to design and perform tests of controls
Distinguish between fraudulent financial reporting and misappropriation of assets
Understand the auditor's responsibility for assessing the risk of fraud and detecting
material misstatements due to fraud
Select the appropriate type of audit test
Learn how to audit the sales and collection cycle- test of controls and substantive
tests of transactions
Learn audit sampling for tests of controls and substantive tests of transactions
Learn how to audit the acquisition and payment cycle - tests of controls, substantive

tests of transactions, and accounts payable
 Learn how to audit the payroll and personell cycle
 Learn how to audit the capital acquisition and repayment cycle
 Learn how to audit cash balances
 Learn all the procedures to complete the audit including the accountant's report

Content:

<u>SECTION</u>	<u>PAGE</u>	<u>TITLE</u>	ET Appendix A 1765
<u>Part 1 - The Public Accounting Profession and its Relationship to Financial Accounting</u>			
AU Appx A	967	Historical Background	
BL - 911	1945	AICPA Mission Statement	
BL - 921	1947	A Description of the Professional Practice of Certified Public Accountants	
ET Appx A	1765	Council Resolution Designating Bodies to Promulgate Technical Standards	
AU - 410	565	Adherence to Generally Accepted Accounting Principles	
FASB No. 162		The Hierchy of Generally Accepted Accounting Principles	
Part 1	23	Applicability of AICPA Professional Standards and Public Company Accounting Oversight Board Standards	
AU - 544	689, 749	Lack of Conformity with GAAP	
ET - 203	1705	Accounting Principles (Rule 203)	

Part 2 - The Public Accounting Profession: Auditing and Other Functions

ET - 92	1651	Definitions	
AU 120	45	Definng Professional Requirements in Statements on Audidting Standards	
ET - 202	1703	Compliance with <u>Standards</u>	
ET - 201	1701	<u>General</u> Standards	
ET - 50	1593	Code of Professional Conduct	
AU - 150	47	Generally Accepted <u>Auditing</u> Standards	
AU - 201	55	Nature of the General Standards (GAAS)	
AU - 210	57	Training and Proficiency of the Independent Auditor	
AU - 220	59	Independence	
ET-100.01	1627	Conceptual Framework for AICPA Independence Standards	
ET - 101	1635	Independence	
AU - 230	61	Due Professional Care in the Performance of Work	
AU - 110	41	Responsibilities and Functions of the Independent Auditor	
AU - 504	603	Association with Financial Statements	
VS	1961	Statement on Standards for Valuation Services	
CS	2013	Consulting Services	
QC	2021	Quality Control	
PR	2049	Standards for Performing and Reporting on Peer Reviews	
TS	2201	Tax Services	
PFP	2241	Personal Financial Planning	
CPE	2275	Continuing Professional Education	
AT	1097	Statements on Standards for Attestation Engagements	
AT 201	1177	Agreed-Upon Procedures Engagements	
AT 301	1195	Financial Forecasts and Projections	
AT 401	1231	Reporting on Pro Forma Financial Information	
AT 501	1247	Examination of an Entity's Internal Control	
AT 601	1295	Compliance Attestation	
AT 701	1317	Management's Discussion and Analysis	
AR	1399	Statements on Standard for Accounting and Review Services	

SECTION PAGE TITLE

Part 3 - Fraud and illegal acts

AU 316	167	Consideration of Fraud in a Financial Statement Audit
AU 317	219	Illegal Acts by Clients

Part 4 - The standard audit report, modifcations and other rypes of reports and letters

AU 311	81	Planning and Supervision
AU 315	159	Communications Between Predecessor and Successor Auditors
AU 508	613	Reports on Audited Financial Statements
AU 543	675	Part of Audit Performed by Other Independent Auditors
AU 341	505	The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern
AU 337	443	Inquiry of a Client's Lawyer Concerning Litigation, Claims and Assessments
AU 431	595	Adequacy of Disclosure in Financial Statements

AU 420	581	Consistency of Application of GAAP
AU 530	530	Dating an Independent Auditor's Report
AU 560	723	Subsequent Events
AU 561	729	Subsequent Discovery of Facts Existing at the Date of the Report
AU 390	559	Consideration of Omitted Procedures After the Report Date
AU 532	661	Restricting the Use of an Auditor's Report
AU 623	745	Special Reports
AU 380	541	The Auditor's Communication With Those Charged With Governance
AU 625	625	Reports on the Application of Accounting Principles
AU 534	667	Reporting on Financial Statements Prepared For Use in Other Countries
AU 550	693	Other Information In Documents Containing Audited Financial Statements
AU 551	699	Reporting on Information Accompanying the Basic Financial Statements In Auditor Submitted Documents

Course evaluation:

- Tests** There will be a single all term inclusive final test that will be counted for 50% of the grade.
- Term Paper** The term paper will be the other 50% of the final grade.
- Attendance** The attendance to class is required. For every three absences the grade will be reduced once.

Additional sections that you **must use and refer to** in your answer to your research paper **when applicable:**

AU 312	95	Audit Risk and Materiality in Conducting an Audit
AU 314	115	Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
AU 318	229	Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
AU 322	253	The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements
AU 324	263	Service Organizations
AU 325	291	Communicating Internal Control Related Matters Identified in an Audit
AU 326	317	Audit Evidence
AU 328	333	Auditing Fair Value Measurements and Disclosures
AU 329	347	Analytical Procedures
AU 330	355	The Confirmation Process
AU 331	367	Inventories
AU 332	373	Auditing Derivative Instruments, Hedging Activities, and Investments in Securities
AU 333	399	Management Representations
AU 334	419	Related Parties
AU 336	429	Using the Work of a Specialist
AU 339	487	Audit Documentation
AU 342	515	Auditing Accounting Estimates
AU 350	525	Audit Sampling
AU 552	707	Reporting on Condensed Financial Statements and Selected Financial Data
AU 558	713	Required Supplementary Information
AU 634	795	Letters for Underwriters and Certain Other Requesting Parties

TERM PAPER

Case Assigned: Auditing Cases - An Interactive Learning Approach
 Authors: Beasley, Buckless, Glover, Prawitt
 Publisher: Pearson - Prentice Hall Fourth Edition or Fourth Edition E

The Term Paper is considered to be an independent study to be submitted the last day of class. Students may elect to work alone or with one other student only. The term paper must be accompanied by all the members of the group indicating the contribution to the term paper of each member of the group. When addressing solutions to problems, the student should indicate the source used preferably the Statements on Auditing Standards when applicable. Please do not use a textbook as reference because they are not authoritative guidelines.

CASES ASSIGNED

Client Acceptance

- 1.1 Ocean Manufacturing, Inc.

Understanding the Client's Business and Assessing Risk

- 2.2 Dell Computer Corporation
- 2.4 Asher Farms Inc.

Professional and Ethical Issues

- 3.1 A Day in the Life of Brent Dorsey
- 3.3 The Anonymous Caller
- 3.4 WorldCom
- 3.5 Hollinger International

Accounting Fraud and Auditor Legal Liability

- 4.2 Comptronic Corporation
- 4.3 Cendant Corporation
- 4.4 Waste Mar Xerox Corporation

Internal Control over Financial Reporting

- 5.1 Simply Steam. Co.
- 5.2 Easy Clean, Co.
- 5.3 Red Bluff Inn & Café
- 5.5 Collins Harp Enterprises
- 5.6 Sarbox Scooter, Inc.

The Impact of information Technology

- 6.1 Harley-Davidson, Inc.

Planning Materiality

- 7.1 Anne Taylor, Inc.

Analytical Procedures

- 8.1 Laramie Wire Manufacturing
- 8.2 Northwest Bank
- 8.3 Burlingham Bees

Auditing Cash and Revenues

- 9.1 Wally's Billboard & Sign Supply
- 9.2 Henrico Retail, Inc.
- 9.3 Longeta Corporation
- 9.4 Bud's Big Blue Manufacturing

Planning and Performing Audit Procedures in the Revenue and Expenditure Cycles

- 10.1 Southeast Shoe Distributor, Inc.
- 10.2 Southeast Shoe Distributor, Inc.
- 10.3 Southeast Shoe Distributor, Inc.
- 10.4 Southeast Shoe Distributor, Inc.
- 10.5 Southeast Shoe Distributor, Inc.

Developing and Evaluating Audit Documentation

- 11.1 The Runners Shop

Completing the Audit, Reporting to Management, and External Reporting

- 12.2 Auto Parts, Inc.
- 12.4 Surfer Dude Duds, Inc.
- 12.5 Murchison Technologies, Inc.

Special Notes

A. Special Accommodations

Students who require special accommodations must request these services at the beginning of the course as soon as they notice that they need help. Students can access the service with Professor Jose Rodriguez, Coordinator of Students with Special Needs at the Guidance and counseling office on the first floor at Metro's Student Center.

- B. Plagiarism, dishonesty, fraud and any other type of manipulation or inappropriate behavior related with academic performance are unacceptable in our institution. Disciplinary actions will be taken on students found guilty of such practice as established in Chapter V, Article 1, Section B.2 of the Student's Rules and Regulations Handbook.

Inter-American University has very strict regulations regarding plagiarism (using the ideas or words of others without giving proper credit), so it is important that you specifically read Chapter V, Article 1, Section B.2C of the Student's Rules and Regulations Handbook. This section clearly explains what plagiarism is. In addition, it explains the types of sanctions students are exposed to when they commit it.

- C. Use of Electronid Devices

Cellular (mobile) telephones and any other electronic device that could interrupt the teaching-learning process or disrupt a milieu favorable for academic excellence will be deactivated. Critical situations will be dealt with an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited.