



Standard Course Outline
ACCT 470 Auditing

I. General Information

Course number: ACCT 470 (GE Integrative Learning Capstone)

Title: Auditing

Units: 4 credits

Prerequisites: ACCT 300B and 320 with grades of “C” or better; IS301

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II. Catalog Description

Problems of verification, valuation and presentation of financial information in reports covered by opinion of independent public accountant. Major concepts of operational auditing and relationship to independent audit. Public accountant and internal auditor responsibilities. Rules of professional conduct.

Letter grade only (A-F). Laboratory and/or class computer applications required.

III. Curriculum Justifications

Auditing (ACCT 470) is the capstone course for Accounting Majors that introduces students to auditing of financial statements. Students develop their critical thinking skills by evaluating and judging financial statements, learning to create audit reports and understanding issues related to audit objectives and responsibilities, professional ethics, legal liabilities and internal control. Quantitative and technical skills are enhanced by audit planning, analytical procedures and statistical sampling.

This course is an Integrative Learning GE Capstone in two respects. First, the students learn to apply knowledge gained in financial and managerial accounting to an audit of financial statements of public companies, showing evidence of skills /knowledge learned in one situation to another. Second, students learn to make judgment in complex situations and evaluate choices in applying accounting and auditing standards to the audit process, the end result being communication with the SEC, investors, and companies in the form of audit report and internal control reports.

The Auditing course has traditionally been a capstone in the Accounting field, as the students are expected to know financial accounting, managerial and cost accounting, internal control, tax accounting, basics of computer information systems, and overall business environment before structuring and completing an audit of financial statements. When working for accounting firms, students specialize in auditing in specific industries but they are expected to know the basics as a part of their educational curriculum. Students at CSULB learn the



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basics in the prerequisites of the Auditing class and business core courses. Most of them take the auditing class in the last or second last semester before they graduate.

Course content and instruction methods should be designed to fulfill the following CBA undergraduate learning goals:

- Critical Thinking (General)
- Ethics (General)
- Team & Interpersonal Skills (general)
- Communication skills (general)
- Business Functions (Management-Specific)
- Quantitative and Technical skills (Management specific)

IV. **Measurable Student Learning Outcomes, Evaluation Instruments, and Instructional Strategies for Skill Development**

A. Content Based Outcomes – This course is designed to meet the GE Content-Based Outcome relevant to “Knowledge of Human Cultures and the Physical and Natural World” through the social scientific study of corporate accounting, reporting and auditing of such reports.

1. **Measurable Benchmarks** – Upon successful completion of the course, students should be able to:

- Explain the role of auditing and other assurance services in the economy, including the impact on capital markets and resource allocation.
- Have a working knowledge of the standards that govern the conduct of financial statement audits and the communication of audit findings.
- Know how to plan a financial statement audit and be familiar with the risks associated with client acceptance, including the risk of fraudulent financial reporting.
- Explain the interrelationships among risk, materiality, controls, and audit evidence.
- Apply the understanding of financial statement audits, as well as the knowledge of business, industry, and the economy, to the audit of business processes associated with revenues, acquisitions, inventories, long-term assets, accounts payable, long-term debt, and equity.
- Have a working knowledge of the way in which statistical sampling is used in auditing engagements.
- Recount the steps involved in the completion of an audit engagement.
- Understand the legal liability of auditors and new audit requirements under Sarbanes-Oxley Act of 2002.
- Be familiar with professional ethics and the role of independence.

2. **Evaluation Instruments** – Specific assignments will vary by instructor, but typical assignments include written assignments, case-based discussions, simulation exercises, team



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reports and exams that incorporate both accounting and auditing standards and their applications.

3. Instructional Strategies – Instructional strategies vary by instructor, but typically include reading assignments, class lectures, in-class discussions, team learning assignments, and a variety of cases and simulation exercises.

B. Shared GE Skills-Based Outcomes

1. Critical Thinking (SLO – GE Essential Skill)

a. Measurable Benchmark – Upon successful completion of the course, students should be able to demonstrate critical thinking as evidenced by their ability to acquire, analyze, synthesize, and evaluate information relevant to audit risk and account balance audit. In particular, students will demonstrate their ability to:

- Conduct business risk analysis in a variety of industries.
- Apply knowledge gained in earlier business courses to analyze the financial status of audit clients.
- Evaluate alternate approaches to audit each account balances and pick the most efficient and effective approach to conclude substantive audit.

b. Evaluation Instruments – Specific assignments will vary by instructor, but typical assignments include case-based written analyses, research papers, and scenario-based exam questions that require students to demonstrate conceptual learning and problem-solving skills.

To develop students' *problem solving* skill, course assignments may focus on the following dimensions:

- i. What are the business risks faced by audit clients and how they manage those risks?
- ii. What accounts will be more vulnerable to material misstatements due to those business risks and management incentive system?
- iii. What are the weaknesses in client's internal control system and what is the implication for specific accounts?
- iv. What are the objectives of each audit procedure and which program is the most effective and efficient one?

To develop students' conceptual learning skill, course assignments may focus on the following dimensions:

- i. What is the role of the Public Accountants in the American economy?
- ii. What are the Generally Accepted Auditing Standards?



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- iii. What are the professional ethics in the CPA profession and how they play a role in professional self-regulation?
 - iv. What is internal control?
 - v. What is control-based integrated audit?
- c. Instructional Strategies – Specific instructional strategies will vary by instructor, but typical strategies may include:
- i. Design in-class exercise activities that help students to organize information, develop lines of reasoning, put forth persuasive argumentation, and use what-if analyses to evaluate action alternatives.
 - ii. Conduct case analysis exercise.
 - iii. Form team-based discussions and oral presentations.
 - iv. Use standardized rubrics for evaluating critical thinking skills.

2. Written Communication (SLO – GE Essential Skill)

- a. Measurable Benchmark - Upon successful completion of the course, students should be able to demonstrate effective writing process and outcome that conform to business conventions. Such written communication skills include developing core ideas, formulating thesis statements, crafting arguments, synthesizing theoretical perspectives and empirical evidence, citing appropriate sources from Auditing Standards, and adopting appropriate syntax and mechanics.
- b. Evaluation Instruments - Specific assignments will vary by instructor, but typical assignments include a series of case written analyses, research papers, and audit reports that require students to develop written communication skills in the course.

Evaluation criteria for written assignments may include the following items:

- i. Does the analysis/report illustrate a thorough understanding of the context and purpose?
 - ii. Does the analysis/report clearly communicate the central ideas?
 - iii. Does the analysis/report use appropriate content to demonstrate the mastery of subject matter?
 - iv. Does the analysis/report follow the appropriate format?
 - v. Does the analysis/report use credible and relevant sources for developing ideas?
 - vi. Is the analysis/report free of grammatical errors?
- c. Instructional Strategies – Specific instructional strategies will vary by instructor, but typical strategies may include:
- i. Using standardized rubrics to assess organization, content, reasoning, grammar, and writing conventions.



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- ii. Explaining rubrics for writing expectations before and after the assignments.
- iii. Discussing components of well-written analysis in class.
- iv. Providing feedback on early drafts and allow for revision.
- v. Engaging in peer review/editing processes.

3. *Inquiry and Analysis (SLO – GE Essential Skill)*

- a. Measurable Benchmark – Upon successful completion of the course, students should be able to determine the nature and amount of audit evidence to collect for a specific audit client. They are also expected to decipher complex elements of external business environment and internal control system, analyze audit evidence, and finally craft an audit report to the shareholders of audit clients. For instance,
 - i. Students will apply knowledge gained in other business courses, such as Finance, Economics, and Business strategy to analyze the external environment and its impact on the financial status of audit clients.
 - ii. Students will rely on audit standards and professional judgment to pick relevant and reliable audit evidence to verify client's financial statements.
 - iii. Students will learn to formulate an efficient audit strategy based on an integration of internal control tests and substantive account balance tests.
 - iv. Students can incorporate analytical procedures in audit planning, detailed account balance audit, and final audit review.
- b. Evaluation Instruments – Instructors should use appropriate evaluation instruments, such as in-class discussions/exercises, case analyses, and research papers to help students identify the key audit risk areas that an CPA firm faces, search for viable options to control those risks, collect relevant and reliable audit evidence for different financial statement accounts, and finally form an audit opinion based on all kinds of evidence.

In particular, these assignments may focus on the following dimensions:

Relevance: does the collected evidence address key audit assertions?

Causal linkage: are the logical antecedents or consequences of a particular argument traced out? Have we considered alternative explanations and refuted those competing explanations?

Analysis: is reasoning consistent and logical? Have we spelled out implicit assumptions in our reasoning and examined their validity?

Evidence: are data from the case or from general knowledge used for support?

Clarity: is the analysis understandable?

- c. Instructional Strategies – Specific instructional strategies will vary by instructor, but the typical strategies should focus on building a comprehensive understanding of issues related to financial statement audit. These may include:



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- i. Integrate current economic and regulatory events into lecture and in-class discussions.
- ii. Use instructional videos to illustrate past audit failures and highlight the common pitfalls in audit work.
- iii. Discuss multiple audit cases to help students to apply theories and analytical models in real-life business scenarios.
- iv. Discuss the recent changes in business practices and update students on new emerging audit and accounting issues.
- v. Utilize multiple means for generating feedback (e.g., standardized rubric, instructor written comments).

To help students develop *inquiry and analysis* skills, instructors may ask student to follow the steps below for the case preparation process:

- i. Carefully read the case, take notes, scan accounting data and sort case facts under a number of relevant headings.
- ii. Use the discussion questions to guide thinking about the issues.
- iii. Apply relevant theoretical framework learned in class to analyze facts and data from the case. Identify key assumptions and examine their validity in the specific case scenario.
- iv. Perform analytical procedures and generate relevant accounting ratios as evidence.
- v. Prepare definite conclusions to address case questions.
- vi. Bring detailed notes to class to help guide participation in class discussions

V. Outline of Subject Matter

Course Topics:

1. Audit and other assurance services
2. The CPA profession
3. Audit reports
4. Ethics
5. Legal liability
6. Responsibilities and objectives
7. Evidence
8. Audit planning
9. Materiality and risk
10. Internal control
11. Fraud
12. Information technology
13. Audit programs
14. Tests of controls and transactions
15. Analytical procedures
16. Tests of details of balances



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17. Completing the audit
18. Introduction to the Sarbanes and Oxley Act of 2002

VI. Methods of Instruction

Instructors should use appropriate instruction methods that are consistent with the course description stated in Section II and serve the GE student learning outcomes listed in Section IV of this SCO.

Examples of instruction methods for the course include:

- Class lecture/discussion
- Case analyses
- Individual and team written assignments
- Team project and discussions
- Team/individual presentations

VII. Extent and Nature of Technology Use

The use of technology will depend on individual instructors, but may include Beach Board and its embedded online functionalities, a variety of web resources specific to the course, and the use of Codification of Accounting standards and Auditing Standards of PCAOB.

VIII. Information about Textbooks/Readings

Instructors should use appropriate textbooks that are consistent with the course description stated in Section II and serve the GE students learning outcome listed in Section IV of this SCO. The following is a list of textbooks that are considered appropriate for this course. This list is not complete and new textbooks can be added.

Auditing and Assurance Services: An Integrated Approach; Arens, Elder and Beasley
Auditing and Attestation: Exam Questions and Explanations; Gleim and Hillison
Principles of Auditing, Whittington and Pany, Irwin McGraw-Hill.

IX. Instructional Policies Requirements

Instructional policies should be consistent with the course description stated in Section II, and should serve the student learning outcomes listed in section IV of this SCO.

Instructors may specify their own policies with regard to plagiarism, withdrawal, absences, etc., as long as these policies are consistent with the University policies published in the CSULB Catalog. It is expected that every course will follow University policies on Final



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Course Grades, Grading Procedures, and Final Assessments (PS 05-07), Attendance (PS 01-01), Course Syllabi (PS 11-07), Final Course Grades, Grading Procedures, and Final Assessments (PS 05-07), and Withdrawals (PS 02-02 rev). If some or all sections of the course are to be taught, in part or entirely, by distance learning in the future, the course must follow the provisions of PS 03-11, Academic Technology and the Mode of Instruction.

All sections of the course will have a syllabus that includes the information required by the syllabus policy adopted by the Academic Senate. Instructors will include information on how students may make up work for excused absences. When class participation is a required, part of the course syllabus will include information on how participation is assessed.

X. Disabilities

Students with disabilities are responsible for notifying their instructor as early as possible of their needs for an accommodation of a verified disability. A student with a disability is urged to consult with Disabled Student Services as soon as possible in order to identify possible accommodations to enhance academic success.