

ACC 269
AUDITING AND ASSURANCE SERVICES

COURSE DESCRIPTION:

Prerequisites: ACC 220

Corequisites: None

This course introduces selected topics pertaining to the objectives, theory, and practices in engagements providing auditing and other assurance services. Topics include planning, conducting, and reporting, with emphasis on the related professional ethics and standards. Upon completion, students should be able to demonstrate an understanding of the types of professional services, the related professional standards, and the engagement methodology. Course Hours Per Week: Class, 3. Semester Hours Credit, 3.

LEARNING OUTCOMES:

Upon completion of this course, the student will be able to:

- a. Apply generally accepted auditing standards.
- b. Understand professional responsibility as it applies to audits, reviews, and compilations, and use ethical standards when performing these services
- c. Review internal control procedures and suggest ways to strengthen weak controls
- d. Understand audit planning
- e. Design an audit program
- f. Perform audit sampling.
- g. Prepare auditing work papers.
- h. Document/flowchart various accounting cycle flows
- i. Understand and perform review procedures
- j. Understand and perform compilation procedures
- k. Prepare accountant's reports

OUTLINE OF INSTRUCTION:

- I. Introduction, standards, and liability
 - A. The auditor's role
 - 1) What do auditors do
 - 2) Types of audits
 - 3) Types of auditors
 - 4) The public accounting profession
 - 5) Institutions affecting auditors
 - B. Professional standards
 - 1) Generally accepted auditing standards (GAAS)
 - 2) Auditors' responsibility for detecting misstatements
 - 3) The standard unqualified report
 - (a) Introductory paragraph
 - (b) Scope paragraph

- (c) Opinion paragraph
- 4) Other types of reports
- 5) Attestation standards
- 6) Quality control in CPA firms
- 7) International auditing standards
- C. Professional ethics
 - 1) Code of professional conduct
 - 2) Details of code principles
 - 3) Details of code rules
 - (a) Independence
 - (b) Integrity and objectivity
 - (c) Compliance with standards
 - (d) Confidential client information
 - (e) Contingent fees
 - 4) Ethics for internal auditors
- D. Auditors' legal liability
 - 1) Vulnerability to lawsuits
 - 2) Legal terms
 - 3) Liability to clients
 - 4) Liability to third parties
 - (a) Common law
 - (b) Statutory law
 - 5) Precautionary measures

II. Restricting audit risk

- A. Audit evidence
 - 1) Relationship between evidence and audit risk
 - 2) Sufficient competent evidential matter
 - 3) Evidence that restricts detection risk
 - 4) Evidence for accounting estimates
 - 5) Evidence for related party transactions
 - 6) Documentation
- B. Planning the audit; designing audit programs
 - 1) Client acceptance
 - 2) Audit planning
 - 3) Designing audit programs
 - 4) The audit process
 - 5) Timing of audit work
- C. Internal control
 - 1) Meaning of internal control
 - 2) Control environment
 - 3) Risk assessment
 - 4) The accounting information system
 - 5) Control activities
 - 6) Limitations of internal control
 - 7) Auditors' consideration of internal control
 - 8) Communications about control structure
 - 9) Internal control in a small company

- D. Internal control in a computer environment
 - 1) Nature of computer systems
 - 2) Electronic data processing system characteristics
 - 3) Internal control and control activities
 - 4) Control in microcomputer systems
 - 5) Auditors' considerations
 - 6) Substantive testing with computers
 - 7) Computer service centers

III. Sampling, documentation, and general records

A. Audit sampling

- 1) Definition
- 2) Basic concepts
- 3) Stratification
- 4) Sampling plans
- 5) Sampling concepts
- 6) Audit sampling for tests of controls
- 7) Audit sampling for substantive tests

B. Audit working papers: examination of general records

- 1) Audit working papers
 - (a) What are they
 - (b) Functions
 - (c) Factors that affect content
 - (d) Confidential nature, ownership, and legal liability
 - (e) Types of working papers
 - (f) Organization
 - (g) Preparation guidelines
 - (h) Computer-generated
- 2) Examination of general records

IV. Transaction cycle and account analysis

A. Revenue cycle accounts

- 1) Cash and financial investments
 - (a) Cash audit objectives
 - (1.) Inherent risk
 - (2.) Internal control
 - (3.) Audit program
 - (b) Financial investments audit objectives
 - (1.) Internal control
 - (2.) Audit program
 - (c) Audit procedures and working papers
 - (d) Long-term investments
- 2) Accounts receivable, notes receivable and sales transactions
 - (a) The sales and collections cycle
 - (b) Auditors' objectives
 - (c) Internal control
 - (1.) Sales
 - (2.) Cash receipts
 - (3.) Notes receivable

- (d) Audit program
- B. Expenditure cycle
 - 1) Inventories and cost of goods sold
 - (a) Importance of inventories
 - (b) Auditors' objectives
 - (c) Internal control
 - (d) Audit program
 - 2) Accounts payable and other liabilities
 - (a) Audit of liabilities versus audit of assets
 - (b) Meaning of accounts payable
 - (c) Auditors' objectives
 - (d) Internal control
 - (e) Audit program
 - (f) Other liabilities
- C. Investment and financing cycle
 - 1) Property, plant and equipment
 - (a) Auditing operational assets
 - (b) Initial audits and repeat engagements
 - (c) Auditors' objectives
 - (d) Internal control
 - (e) Audit program
 - (f) Depreciation
 - (g) Verifying natural resources and intangible assets
 - (h) Examination before balance sheet date
 - 2) Debt and equity capital
 - (a) Interest-bearing debt
 - (1.) Nature
 - (2.) Auditors' objectives
 - (3.) Internal control
 - (4.) Audit program
 - (5.) Confirmation of financing arrangements
 - (6.) Time of examination
 - (b) Equity capital
 - (1.) Auditors' objectives
 - (2.) Internal control
 - (3.) Audit program
 - (4.) Sole proprietorships and partnerships
 - (c) Liability representations
- D. Operations, payroll, and completing the audit
 - 1) Audit of operations
 - (a) Revenue
 - (b) Expenses
 - 2) Audit of payroll
 - 3) Completing the audit
 - (a) Search for unrecorded liabilities
 - (b) Review meeting minutes
 - (c) Final analytical procedures
 - (d) Procedures to identify loss contingencies
 - (e) Look for subsequent events

- (f) Representation letter
- 4) Evaluating audit findings
- 5) Reviewing the engagement
- 6) Post-audit responsibilities

V. Reporting

A. Auditors' report

- 1) The fourth standard of reporting
- 2) Types of reports
 - (a) Material versus very material exceptions
 - (b) Unqualified report with explanatory language
 - (c) Qualified opinions
 - (d) Adverse opinions
 - (e) Disclaimer of opinion
- 3) Reports on comparative statements
- 4) Reports to the SEC

B. Other attestation and accounting services

C. Assurance services

D. Internal Auditing

REQUIRED TEXTBOOK AND MATERIALS:

See Durham Tech web site.

STATEMENT FOR STUDENTS WITH DISABILITIES:

Students who require academic accommodations due to any physical, psychological, or learning disability are encouraged to request assistance from a disability services counselor within the first two weeks of class. Likewise, students who potentially require emergency medical attention due to any chronic health condition are encouraged to disclose this information to a disability services counselor within the first two weeks of class. Counselors can be contacted by calling 686-3652 or by visiting the Student Development Office in the Phail Wynn Jr. Student Services Center, room 1309.