

**ACC 373 – Introduction to Auditing and Assurance Services**

**Spring 2019: Monday/Wednesday–8 am; 10 am; 12 pm;(JFF239)**

**Friday Lab 10 am- (JFF LL125)**

**Professor: Rose Layton**

**Office: ACC 112**

**Office Phone: 213/740-5022 (prefer e-mail)**

**Office Hours: Mon 2:00-3:00 pm Wed 12:30-2:30 pm; or by appointment**

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**Course Description**

Introduction to Auditing and Assurance Services will be discussed from the perspectives of management and other users of the financial statements and other reports, as well as, the external auditor and other assurance professionals.

**Learning Objectives**

1. Describe auditing and assurance services and be able to understand the client's business and processes in order to perform the service.
2. Use the professional auditing standards and compare PCAOB standards to US non-issuer and International standards by researching and applying to basic situations.
3. Identify and understand the different audit reports and determine which audit report is appropriate by examining simple case situations.
4. Describe the ethical issues relevant to audit and assurance services including differences between issuers and non-issuers and critique dilemmas faced by professionals through researching current Accounting and Auditing Enforcement Cases or PCOAB Enforcement Cases and preparing an oral presentation and/or written report.
5. Demonstrate an understanding of client acceptance and basic audit planning including audit risk, management assertions and audit evidence by researching and interpreting case information.
6. Understand the auditor's responsibility in assessing the risk of fraud and error in financial statements by predicting selected company scenarios.

**Required Materials**

Course Materials: ACC 373 – You will be given a website via Blackboard to purchase and access all material needed for the course.

Please bring a laptop computer or tablet to class.

**Prerequisites and/or Recommended Preparation:**

ACC 370 and ACC 371 - prerequisites

**Grading Policies:**

"If you do something long enough, with as much **variety** as possible, you will begin to learn it". Unknown.

I believe that a variety of skills are necessary to be an excellent professional. Therefore, there are several components to your overall grade.

Component	Points/Percentage
Participation (in-class cases and discussions)	120 -12%
Quizzes (7)	130 -13%
Homework Cases	150 -15%
Midterm	200 -20%
Peer Evaluation	*
Final Exam	<u>400</u> -40%
<b>Total</b>	<u>1000</u>

All of the sections of ACC 373 will be curved together. Historically, accounting electives' mean GPA target is a 3.3. See LSOA Important dates at the end of this document for information on withdrawal and incomplete marks.

\* considered for overall grade in group projects

After each grade is posted or returned, you will have **one week to challenge** your grade in writing. After this time, the grades will become final.

#### Participation/ Quizzes/Cases

It is important that you participate in class in order to maximize your understanding of the materials. I will call on individuals both voluntary and randomly.

**We will work on many in-class cases during class time-so you will need your materials. If you are NOT in class for that assignment, you can do it on your own as long as it is turned-in before the class period ends – however, you will only receive 50% of the assigned points.** If the in-class case is a group case, you may only receive full points if you are present in class.

There are scheduled quizzes on reading materials. These quizzes will take place at the start of class (the quiz dates are noted in the syllabus). If you arrive after the quiz has been administered, you **cannot take the quiz**. You **MUST be PRESENT** in your **section** to take the quiz. **NO** make-up quizzes.

There are also homework cases. The due dates are indicated in the material. If you are late the following credit will be given:

- On-time – 100% of assigned grade
- Late 15 minutes – 75 % of assigned grade
- Late 1 hour- 50 % of assigned grade
- Late 2 hours – 25% of assigned grade
- No credit after that time.

#### Midterm

This midterm will cover the material that has been covered through the last class prior to the midterm. It is a way of testing your understanding of the concepts that have been

covered. The midterm must be taken at the time designated. More details will be shared in the classroom.

**Friday Classes are required:**

If you are unable to attend the Friday class, you will **not** be allowed to take the quiz or do the case assigned.

**Group Evaluations:**

You will be allowed to evaluate your group members for their participation in class exercises and discusses. This will be considered for individual performance. You must evaluate each of your teammates performance in order to receive credit for your assignments.

**Final Exam:**

There is a written final exam. The test format and topics will be discussed in class. The final exams must be taken at the time designated on the schedule.

**Important Dates for First-Half Courses:**

**First-Half Session Dates (Session 431), January 7 - March 2**

First Day of Classes for first half ACCT courses	Monday, January 7
Last Day to Add or Drop first half ACCT courses w/out a "W"	Thursday, January 17
Last Day to Change from P/NP to Letter Grade	Monday, January 28
Last Day to Drop first half ACCT courses with a "W"	Tuesday, February 19
Final Exams for first half ACCT courses	Tuesday, February 27 - Friday, March 1

**Retention of Graded Coursework**

Final exams and all other graded work, which affects the course grade, will be retained for one year after the end of the course *if* the graded work has not been returned to the student (i.e., if I returned a graded paper to you, it is your responsibility to maintain it).

**Technology Policy**

Laptop and Internet usage is permitted during academic or professional sessions when engaged in a technology related class activity. Use of other personal communication devices, such as cell phones, is considered unprofessional and is not permitted during academic or professional sessions. ANY e-devices (cell phones, iPads, other texting devices, laptops, I-pods) must be completely turned off during class time. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

**USC Statement on Academic Conduct and Support Systems:**

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, “Behavior Violating University Standards” <https://policy.usc.edu/scampus-part-b/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

Students enrolled in any class offered by the Leventhal School of Accounting are expected to uphold and adhere to the standards of academic integrity established by the Leventhal School of Accounting Student Honor Code. Students are responsible for obtaining, reading, and understanding the Honor Code System handbook. Students who are found to have violated the Code will be subject to disciplinary action as described in the handbook. For more specific information, please refer to the Student Honor Code System handbook, available in class or from the receptionist in ACC 101.

### **Support Systems**

*Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call*

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

<https://engemannshc.usc.edu/counseling/>

*National Suicide Prevention Lifeline - 1-800-273-8255*

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

*Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call*

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

*Sexual Assault Resource Center*

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

*Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086*

Works with faculty, staff, visitors, applicants, and students around issues of protected class. <https://equity.usc.edu/>

*Bias Assessment Response and Support*

Incidents of bias, hate crimes and micro aggressions need to be reported allowing for appropriate investigation and response. <https://studentaffairs.usc.edu/bias-assessment-response-support/>

*The Office of Disability Services and Programs*

Provides certification for students with disabilities and helps arrange relevant accommodations. [dsp.usc.edu](http://dsp.usc.edu)

*USC Support & Advocacy – (213) 821-4710*

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. <https://studentaffairs.usc.edu/ssa/>

*Diversity at USC – <https://diversity.usc.edu/>*

Tab for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students

Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students.

#### *USC Emergency Information*

Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible. [emergency.usc.edu](http://emergency.usc.edu)

*USC Department of Public Safety – UPC: (213) 740-4321 – HSC: (323) 442-1000 – 24-hour emergency or to report a crime.*

Provides overall safety to USC community. [dps.usc.edu](http://dps.usc.edu)

#### **Students with Disabilities**

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability, which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs ([www.usc.edu/disability](http://www.usc.edu/disability)). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: [ability@usc.edu](mailto:ability@usc.edu).

#### **No recording and copyright notice**

*No student may record any lecture, class discussion or meeting with me without my prior express written permission.* The word “record” or the act of recording includes, but is not limited to, any and all means by which sound or visual images can be stored, duplicated or retransmitted whether by an electro-mechanical, analog, digital, wire, electronic or other device or any other means of signal encoding. I reserve all rights, including copyright, to my lectures, course syllabi and related materials, including summaries, Power Points, prior exams, answer keys, and all supplementary course materials available to the students enrolled in my class whether posted on Blackboard or otherwise. They may not be reproduced, distributed, copied, or disseminated in any media or in any form, including but not limited to all course note-sharing websites. *Exceptions are made for students who have made prior arrangements with DSP and me.*

#### **Emergency Preparedness/Course Continuity**

In case of a declared emergency if travel to campus is not feasible, the *USC Emergency Information* web site (<http://emergency.usc.edu/>) will provide safety and other information, including electronic means by which instructors will conduct class using a combination of USC’s Blackboard learning management system ([blackboard.usc.edu](http://blackboard.usc.edu)), teleconferencing, and other technologies. In case of a declared emergency if travel to campus is not feasible, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies.

## INDIVIDUAL CLASS TOPICS AND ASSIGNMENTS

Module	Dates	Power Point	Readings/Sources	Assignments/ Cases	Quiz
<b>1. Introduction to Audit and Assurance Services</b>	Class 1: 01/07  Class 2: 01/09	Yes – used for both days	<b>Module 1 Readings:</b> AU-C 200.01-.14 AS1001.01-.11	<ul style="list-style-type: none"> <li>Module 1B - HW #1 Assurance (1/14)</li> <li>HW #3 Research Assignment (1/14)</li> </ul>	Quiz 1 (1/07)  Quiz 2 (1/09)
<b>2. Reports</b>	Class 3: 01/14	Yes	<b>Module 2 Readings:</b> AU-C 700.01-.41; Illustration 1 AU-C705.01-10; Illustrations 1, 2,3, 4,5 AS3101.01-20; Appendix B AS3105.01-47	<ul style="list-style-type: none"> <li>HW #1 Report (1/16)</li> <li>HW #2 Case Application– (due 1/17)</li> </ul>	Quiz 3
<b>3. Professional Judgment/ Skepticism and Bias</b>	Class 4: 01/16	Yes	<b>Module 3 Readings:</b> AU-C.14, A22-. A26; 18, A27-. A31 AS1105.07-.09, .11 KPMG Monogram- chapters 3, 4, 6	<ul style="list-style-type: none"> <li>HW #1 Judgment Examples (1/23)</li> <li>HW #2 Case (1/23)</li> </ul>	Quiz 4
<b>4. Client Acceptance Fraud</b>	Class 5: 01/23	Yes	<b>Module 4 Readings</b> QC Sec10 (AICPA). A11-A16; QC Sec20 (PCAOB).14-16; AU-C240 .01-. 29; A33-.35; Appendix A; AS2410.07-.13;.52-.79	<b>Read case – see PowerPoint slide 34 BEFORE Class</b> <ul style="list-style-type: none"> <li>HW #1 Fraud Case (1/25)</li> </ul>	No Quiz
<b>5. Planning: Audit Risk Model -in JFF LL125 10 am</b>	Class 6: 01/25  Friday	Yes	<b>Module 5 Readings:</b> AS2101 .02-.17; AS1101.02-.11	<ul style="list-style-type: none"> <li>HW #1 CBA Case - Identifying Risk (1/28)</li> </ul>	Quiz 5

Module	Dates	Power Point	Readings/Sources	Assignments/ Cases	Quiz
			AS2110.05-.17; .41-.45;.49-.58; AU-C 300.02-12; A4-. A5		
<b>6. Understanding the Client Environment (Inherent Risk)</b>	Class 7: 01/28	Yes	<b>Module 6 Readings:</b> AU C-200. 14; A41-42; AU C_315.04-12; A6-.18 <a href="http://www.quickmba.com/strategy/porter.shtml">http://www.quickmba.com/strategy/porter.shtml</a>  <a href="http://www.quickmba.com/strategy/pest/">http://www.quickmba.com/strategy/pest/</a>	<ul style="list-style-type: none"> <li>HW #1 CBA Case -Inherent Risk (1/30)</li> </ul>	Class Pres
<b>Catch-up and Review</b>	Class 8: 01/30	Yes	<b>Modules 1-6</b>	<ul style="list-style-type: none"> <li>In-class activity</li> </ul>	
<b>Midterm-in JFF LL125 10 am</b>	<b>Class 9 : 02/01 Friday</b>	<b>10 am</b>	<b>Materials through class 8 (Modules 1-6)</b>		
<b>7. Internal Control (Control Risk)</b>	Class 10: 02/04		<b>Module 7 Readings:</b> AU-C315 .04,.13-25; A49-A77: A79; A99-100; A110: A112 AS2201.01-27; .62-.74;.78-.84;.85; .86-88; Appendix A AS2110.18-.35	<ul style="list-style-type: none"> <li>HW #1 CBA Case - Managements Response (2/6)</li> </ul>	No Quiz
<b>8.Preliminary Analytical Procedures &amp; SOX</b>	Class 11 02/06	Yes	<b>Module 8 Readings:</b> <a href="https://pcaobus.org/About/History/Documents/PDFs/Sarbanes_Oxley_Act">https://pcaobus.org/About/History/Documents/PDFs/Sarbanes Oxley Act</a>	<ul style="list-style-type: none"> <li>HW #1 CBA Case - Preliminary Analytical Procedures (2/11)</li> </ul>	Quiz 6

Module	Dates	Power Point	Readings/Sources	Assignments/ Cases	Quiz
			<u>of 2002.pdf</u> - skim only		
<b>9. Assertions and Materiality</b>	Class 12: 02/11	Yes	<b>Module 9 Readings:</b> AU-C 315.04, A128-139; AU-C 320 .02-.09; . A5-9; AS1105.11 AS2105.02-09	<ul style="list-style-type: none"> <li>HW #1 CBA Case – Significant Accounts and Assertions (2/13)</li> </ul>	Quiz 7
<b>10. Evidence</b>		Yes	<b>Module 10 Readings</b> AU-C500.01-10; A1-.34; AS 1105.01-.21	<ul style="list-style-type: none"> <li>HW #1 CBA Case – Audit Procedures (2/13)</li> </ul>	
<b>11. Applying Concepts - Data Analysis</b>	Class 13: 02/13	None	<b>Module 11 Readings</b>  Research Craft and Industry	<ul style="list-style-type: none"> <li>HW #1 CBA Case – Tableau &amp; Preliminary Analytical Procedures (2/20) Case Tableau Exercise</li> </ul> <p>Will work on as a group during class time</p>	No Quiz
<b>11. Applying Concepts - Data Analysis</b>	Class 14: 02/20	None	<b>Module 11 Readings</b>	Present Tableau Case	No Quiz
<b>Class Overview-in JFF LL125 10 am</b>	<b>Class 15: 02/22 Friday</b>		<b>Materials through class 12 (Modules 1-10)</b>		
<b>Only if needed</b>	02/25				
<b>Final - in class</b>	Class 16: 02/27			Take exam	



Fridays- 01/25, 02/01, 02/22

1. Technical Knowledge <b>Heavy (373)</b>	Students will demonstrate technical proficiency in the accounting discipline, including the use of technical accounting knowledge to help solve problems and make decisions.
2. Research, Analysis and Critical Thinking <b>Moderate (373)</b>	Students will demonstrate the ability to research, critically analyze, synthesize, and evaluate information including professional standards for decision making in the local,

## LSOA STUDENT LEARNING OBJECTIVES

	regional and global business environment.
3. Ethical Decision Making <b>Light (373)</b>	Students will demonstrate an understanding of ethics, ethical behavior and ethical decision-making.
4. Communication <b>Moderate (373)</b>	Students will demonstrate the ability to communicate ideas both orally and in writing in a clear, organized and persuasive manner.
5. Leadership, Collaboration and Professionalism <b>Light (373)</b>	Students will demonstrate leadership skills and the ability to work cooperatively and productively to accomplish established goals.
6. Technology <b>Moderate (373)</b>	Students will demonstrate an understanding of technology issues and utilize relevant technology tools and applications to gather and evaluate information, analyze and solve problems, work interactively with other people, and develop and present conclusions.