

USC Marshall School of Business

ACCT-557: Advanced Financial Statement Auditing Topics
3 units

Class 14254R meets Tuesday and Thursday at 11:00 am to 12:20 pm in JKP 202.
Class 14255R meets Tuesday and Thursday at 12:30 pm to 1:50 pm in JKP 202.

Instructor: Herb Perlmutter
Office: ACC 210
Office Hours: Thursday from 10:00 am to 10:50 am and by appointment*
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***We will replace two or three Thursday classes with Friday afternoon Labs for interactions with company executives or audit firm representatives (dates to be determined).**

DESCRIPTION

This course will address the framework of the audit process as incorporated in the audit model. Students will develop the ability to evaluate disparate businesses, assess the risks relevant to the business entity and develop approaches for control and substantive testing. Such audit approaches will include use of higher-level techniques (management level review controls and financial statement analytics), sampling (controls and substantive) and 100% data tests. We will design testing approaches using these tools.

COURSE OBJECTIVES

Our objectives are for you:

1. To understand and apply the audit risk model
2. Approach a business and audit risk assessment in an integrated way
3. Design an audit approach through identification and testing of audit risks, internal controls over financial reporting and financial statements
4. Think critically, and analytically evaluate financial information
5. Explain the concept of professional skepticism and how it applies in the audit process
6. Work together as a team in an audit environment
7. Effectively communicate audit risks and approaches

COURSE MATERIALS:

Available on the internet:

- PCAOB Documents Available on the PCAOB website at www.pcaobus.org (On the PCAOB's homepage, click on headings for links to Standards, which then contain links to the relevant documents.)
- Statements on Auditing Standards (SAS or AU-C) Available on the AICPA website at www.aicpa.org (On the top of the AICPA's homepage go to Research and click on the Standards subcategory. In the left column of the screen, click on Audit and Attest Standards and then on Clarified Statements on Auditing Standards. You should then see references to the section numbers.)
- SEC Staff Accounting Bulletins ("SAB"): [SEC.gov](http://sec.gov) | [Selected Staff Accounting Bulletins](http://sec.gov/selected-staff-accounting-bulletins)
- SEC Filings: <http://sec.gov/edgar/searchedgar/webusers.htm>

- Course textbook: Having an audit textbook as reference material will be beneficial. If you don't already own an auditing textbook you should consider purchasing "Auditing and Assurance Services: An Integrated Approach" by Alvin A. Arens, Randal J. Elder, Mark Beasley.

GRADING

<u>Assignments</u>	<u># of Points</u>	<u>% of Overall Grade</u>
Midterm Exam	200	25.0
Final Exam	200	25.0
Case Studies (2)	300	30.0
Assignments	125	10.0
Participation	<u>100</u>	<u>10.0</u>
TOTAL	1,000	100.0%

All assignments must be turned in on time to receive credit. Late assignments will not be accepted.

Exams:

The midterm and final exams will require you to: 1) identify the relevant issues in given business situations; 2) analyze the data and transform it into information to be used in a comprehensive answer; and 3) explain what you did using techniques demonstrated in class. The Leventhal School of Accounting policy states that exams should not be missed unless there is a very serious emergency AND it can be properly documented. Also, to the extent possible, you must inform the instructor of the emergency prior to the exam (it is understood this is not always possible). If you miss an exam for something other than a serious emergency and/or you cannot provide the appropriate documentation, you will receive a zero grade for the exam. If there is a serious emergency, you can provide appropriate documentation, and when possible notified me before the exam, a substitute grade will be calculated based on the normalized average of your other exam. There will be no make-up exams. The final exam must be taken at the scheduled time unless an incomplete contract has previously been approved per Leventhal School of Accounting guidelines.

Client and Firm visits (Case studies):

The class will have ten group project teams. In the latter half of the semester, we will have two group projects where we study and prepare "mini" audit plans for two companies.

For each company, students will obtain the financial statements, including footnotes, and other relevant information contained in the 10-Ks and 10-Qs, as well as analyst reports and Company presentations. Each group will perform an overall risk assessment and prepare an audit planning meeting agenda and discussion outline. For each company visit, the groups will lead an audit planning meeting with the senior financial management of the client. The primary purpose of the meeting will be to take your current understanding of the economy, the client's industry environment and its specific business, the nature of its various financial statement accounts and disclosures and other relevant information and obtain from the client relevant information with which to plan your audit. Each of the groups will then prepare an audit plan.

Assignments:

Assignments will be posted in modules on Blackboard. The assignments will include some questions for guest professionals who interact with the class, exercises and readings. Note: All reading assignments should be summarized in a half page or so and turned in at the start of the respective class.

Participation:

Class participation is a very important part of the learning experience in this course. The richness of the learning experience will be largely dependent upon the degree of preparation by *all* students prior to each class session.

A course that incorporates the frequent use of case analyses to illustrate the practical application of concepts and practices requires the student to prepare cases diligently and thoroughly and actively offer the results of the analyses and conclusions derived as well as recommendations during each class session. My expectation and that of your classmates are that you are prepared for *all* classes and will actively participate in and meaningfully contribute to class discussions.

In-class participation is also a critical part of this course's learning experience. Cold calling may take place to encourage active participation and to gain multiple perspectives and points of view, thus lending itself to the richness of the learning experience. In-class participation grading will be based on students' demonstrated willingness to participate, and the quality of the comments expressed, rather than quantity. While some students are far more comfortable than others with class participation, *all* students are expected to make meaningful contributions.

Students will offer their opinions in group settings many times in their careers; thus, class participation serves to prepare students for this business experience.

The evaluating of in-class participation is based on the following:

- *Relevance* – Does the comment or question meaningfully bear on the subject at hand? Irrelevant or inappropriate comments can detract from the learning experience.
- *Responsiveness* – Does the comment or question connect to what someone else has said?
- *Analysis* – Is the reasoning employed consistent and logical? Has data from course materials, personal experience, or general knowledge been employed to support the assertions/findings?
- *Value* – Does the contribution further the understanding of the issues at hand?
- *Clarity* – Is the comment concise and understandable?

During class sessions, I frequently assume the role of a facilitator to encourage a discussion that includes perspectives from a variety of viewpoints and, secondly, to help pull together prevailing analyses and recommendations. The direction and quality of a discussion is the *collective responsibility of the class*.

Class Participation – Behavioral Anchor Rating Scale:

Excellent Performance

- Initiates information relative to topics discussed
- Accurately exhibits knowledge of assignment content
- Clarifies points that others may not understand
- Shares personal experiences or opinions related to topic
- Offers relevant / succinct input to class
- Actively participates in class exercises
- Demonstrates ability to apply, analyze, evaluate & synthesize course material.
- Demonstrates willingness to attempt to answer unpopular questions
- Builds on other students' contributions

Average Performance

- Participates in group discussions when asked
- Demonstrates knowledge of course material
- Offers clear, concise, "good" information on class assignments
- Offers input, but tends to reiterate the intuitive
- Attends class regularly

Unacceptable Performance

- Fails to participate even when directly asked
- Gives no input to discussions
- Does not demonstrate knowledge of the readings
- Shows up to class: does nothing
- Distracts group / class
- Irrelevant discussion

Course Outline – First Four Weeks*

Course Outline			
Week	Module	Dates	Topic
Week 1	1	Tuesday, Jan. 11	Getting to know one and other Course Overview
	2	Thursday, Jan. 13	Audit Objectives Audit Risk Audit Evidence Audit Planning
Week 2	3	Tuesday, Jan. 18	Consideration of Materiality
	4	Thursday, Jan. 20	Audit Risk assessment
Week 3	5	Tuesday, Jan. 25	Analytic Procedures
	6	Thursday, Jan. 27	Auditors Responsibility for the Detection of Fraud
Week 4	7	Tuesday, Feb. 1	Internal Control and Testing
	7	Thursday, Feb. 3	Internal Control and Testing - Continued

***The remainder of the course outline as well as readings and assignments will be updated at a later date.**

CLASSROOM POLICIES – Spring 2022

1. Active class participation is important in achieving the learning objectives for this course. Unless students provide an accommodation letter from USC OSAS or from Marshall detailing visa or travel restrictions, attendance and active participation is expected in the classroom.
2. Any student with such accommodations should submit their accommodation document to their instructor as soon as possible. Your instructor will then provide regular access to a recording of the class and an opportunity to regularly make up missed in-class participation.
3. Students who are experiencing illness should not attend class in person. Please inform the instructor in advance of the class session to discuss what accommodations will be made to allow for the make-up of missed class work and missed in-class participation. Students will not be penalized for not attending class in person under these circumstances.

THE IMPORTANCE OF COURSE EVALUATIONS

The student course evaluations are valuable. This course is continuously improved, based on feedback from students and instructor observations.

TECHNOLOGY REQUIREMENTS

Certain pre-recorded material will be provided in Blackboard. Therefore, you must have access to the Internet. No special software is required.

The lecture presentations, links to articles, assignments, quizzes, and rubrics are located on Blackboard. To participate in learning activities and complete assignments, you will need:

- Access to a working computer that has a current operating system with updates installed, plus speakers or headphones to hear lecture presentations.
- Reliable Internet access and a USC email account.
- A current Internet browser that is compatible with Blackboard (Google Chrome is the recommended browser for Blackboard).
- A working video camera with microphone for use on Zoom.
- Microsoft Word as your word processing program; and
- Reliable data storage for your work, such as a USB drive or Office365 OneDrive cloud storage.

If your computer does not have Microsoft Word, Office 365 package is available to you free of charge and allows you to install Word, Excel, PowerPoint, Outlook, OneNote, Publisher, and Access on up to 5 PCs or Macs and Office apps on other mobile devices including tablets. Office 365 also includes unlimited cloud storage on OneDrive. To download Office 365 log into your student (University) email through a web browser, choose Settings (top right corner), and select software. If you have further questions or need help with the software, please contact the USC ITS service portal.

CLASS CONDUCT/NETIQUETTE

Professionalism will be expected at all times. Because the university classroom is a place designed for the free exchange of ideas, we must show respect for one another in all circumstances. We will show respect for one another by exhibiting patience and courtesy in our exchanges. Appropriate language and restraint from

verbal attacks upon those whose perspectives differ from your own is a minimum requirement. Courtesy and kindness are the norm for those who participate in my class.

Our discussion board is a way for you to share your ideas and learning with your colleagues in this class. We do this as colleagues in learning, and the Discussion Board is meant to be a safe and respectful environment for us to conduct these discussions.

Some Netiquette Rules:

- Dress respectfully. Video conference business meetings are and will be the norm, so practice your professional telepresence.
- Virtual background respectfully professional
- Display both your first and last name during video conferencing and synchronous class meetings.
- Respectfully minimize distractions with muting and video off when moving around
- Disagree respectfully
- Respectfully pay attention to classmates
- Do not use all CAPITAL LETTERS in emails or discussion board postings. This is considered "shouting" and is seen as impolite or aggressive.
- Do not use more than one punctuation mark, this is also considered aggressive!!!!
- Begin emails with a professional salutation (Examples: Dr. Name; Ms. Name; Hello Professor Name; Good afternoon Mr. Name). Starting an email without a salutation or a simple "Hey" is not appropriate.
- When sending an email, please include a detailed subject line. Additionally, make sure you reference the course number (Ex. BUAD306) in the message and sign the mail with your name.
- Use proper grammar, spelling, punctuation, and capitalization. Text messaging language is not acceptable. You are practicing for your role as a business leader.
- Re-Read, think, and edit your message before you click "Send/Submit/Post.". as a check, consider whether you would be comfortable with your email or post or text being widely distributed on the Internet.

STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct:

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” policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on Research and Scholarship Misconduct.

Students and Disability Accommodations:

USC welcomes students with disabilities into all of the University’s educational programs. The Office of Student Accessibility Services (OSAS) is responsible for the determination of appropriate accommodations for students who encounter disability-related barriers. Once a student has completed the OSAS process (registration, initial appointment, and submitted documentation) and accommodations are determined to be

reasonable and appropriate, a Letter of Accommodation (LOA) will be available to generate for each course. The LOA must be given to each course instructor by the student and followed up with a discussion. This should be done as early in the semester as possible as accommodations are not retroactive. More information can be found at osas.usc.edu. You may contact OSAS at (213) 740-0776 or via email at osasfrontdesk@usc.edu.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call
studenthealth.usc.edu/counseling

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

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-9355(WELL), press “0” after hours – 24/7 on call
studenthealth.usc.edu/sexual-assault

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office for Equity, Equal Opportunity, and Title IX (EEO-TIX) - (213) 740-5086
eetix.usc.edu

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298
usc-advocate.symplicity.com/care_report

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office for Equity, Equal Opportunity, and Title for appropriate investigation, supportive measures, and response.

The Office of Student Accessibility Services (OSAS) - (213) 740-0776
osas.usc.edu

OSAS ensures equal access for students with disabilities through providing academic accommodations and auxiliary aids in accordance with federal laws and university policy.

USC Campus Support and Intervention - (213) 821-4710
campussupport.usc.edu

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity, Equity and Inclusion - (213) 740-2101
diversity.usc.edu

Information on events, programs and training, the Provost’s Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call
dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which

instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call
dps.usc.edu

Non-emergency assistance or information.

Office of the Ombuds - (213) 821-9556 (UPC) / (323-442-0382 (HSC)

ombuds.usc.edu

A safe and confidential place to share your USC-related issues with a University Ombuds who will work with you to explore options or paths to manage your concern.

Occupational Therapy Faculty Practice - (323) 442-3340 or otfp@med.usc.edu

chan.usc.edu/otfp

Confidential Lifestyle Redesign services for USC students to support health promoting habits and routines that enhance quality of life and academic performance.

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), teleconferencing, and other technologies.

Appendix I. Leventhal GRADUATE PROGRAMS LEARNING GOALS

How ACCT 541L Contributes to Leventhal Graduate Program Learning Goals

Leventhal Graduate Program Learning Goals	ACCT 557 Objectives that support this goal	Assessment Method*
<p>1. Technical, Conceptual, Problem-Solving Students will be competent in and be able to apply discipline specific knowledge and skills in the fields of accounting and auditing. This learning outcome includes the development of critical thinking and problem-solving skills, as well as an understanding of the strategic role of accounting and auditing in business organizations and society.</p>	1,2,3,4,5	Group projects, assignments, exams
<p>2. Applied Data Analytics. Students will be able to analyze business and audit objectives, issues and problems and identify the data necessary for solutions. They will learn to integrate data tools and languages and communicate the answers in pragmatic and understandable terms. Students will learn to be effective in unstructured environments and productive in live business situations.</p>	1,2,3,4,5	Group projects, assignments, exams
<p>3. Professional Development Students will be able to communicate clearly and strategically, after considering the relevant audience, situation, and purpose of the communication. Students will demonstrate the ability to work productively with others to accomplish established goals.</p>	5,6,7	Group projects, assignments, and in-class participation
<p>4. Research/Life-Long Learning Students will be able to use relevant research databases and academic/professional literature to gain new knowledge and analyze business situations.</p>	1,2,3,4,5,6	Readings, and group projects
<p>5. Ethical Principles and Professional Standards Students will be able to apply ethical principles and professional standards in analyzing situations and making informed decisions.</p>	1,2,3,4,5	Selected class sessions, Group Projects
<p>6. Globalization and Diversity Students will be able to demonstrate an international perspective and appreciation for diversity and cultural differences, along with their significance in global business</p>	2,3,4	In-class assignment