



## ACCT 456 - Auditing with Data Analytics

Syllabus - Fall 2023 (subject to change)

*Section 14056R 12:00 - 1:50pm TuTh (ACC 201)*

*Section 14057R 2:00 - 3:50pm TuTh (ACC 201)*

*Lab/Discussion 10:00 - 11:50am on Select Fridays (HOH 2)*

**Professor:** Tracie Majors

**Office:** ACC 119

**Office Phone:** 213/821-9878

**Office Hours:** 10:00 - 11:00 Tuesday (IN OFFICE);

Wednesday 3:00-5:00 (BY ZOOM - link posted on

Blackboard); and by appt. (also feel free to email me at any time).

**E-mail** (best way to contact me): [tmajors@marshall.usc.edu](mailto:tmajors@marshall.usc.edu)

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### COURSE DESCRIPTION

This course provides an overview of independent professional audits of companies' financial statements. Readings from cases, as well as the textbook and professional standards, will provide a backdrop for our class discussions and facilitate interactive exercises, both focusing on the *reality* of auditing to the extent possible. The reality of the audit experience for individual auditors and audit firms on a day-to-day basis is shaped by compliance with lengthy and detailed standards, firm policy, and regulations, as well as various pressures from clients and other constituents such as the PCAOB. In class, we will cover these issues from the perspective of auditors who live in this world, and I also will periodically incorporate research findings related to key topics. Researchers can take a step back and examine reality from the perspective of actual auditor behavior and outcomes related to financial statement audits. Overall, then, our class discussions will center on both the practical need, for example, to comply with standards and deal with clients and inspectors, and also on what research evidence tells us, so that you can be a better-informed practitioner, user, or observer of auditing services. I will also periodically incorporate data analytics into our in-class illustrations and exercises, as well as provide you with hands-on experience via cases that you will complete with your classmates during our laboratory sessions. The key goal of data analytics will be twofold: first, providing you practical insight regarding how auditors use data analytics, and second, building skills to use data analytics to think critically and cultivate insights for the audit.

The course is divided into four sections. The first provides a big picture view of auditing in our economy and society, including the role of auditors' professional judgment and skepticism. The second part of the course covers basic auditing concepts. These basic concepts include assessing and responding to risk. The third and fourth parts of the course go into more detail on these two basic concepts, and the fourth part of the course also covers how auditors report their findings.

### LEARNING OBJECTIVES

The overall goal of this course, as mentioned above, is to introduce you to financial statement auditing, with a focus on data analytics. Subsumed under this goal are several specific learning objectives and desired outcomes, arranged by the common outcomes developed by the Leventhal School. These learning objectives and outcomes are illustrated on the following page.

**Undergraduate Accounting Program Student Learning Objectives** (last updated 6/13/19)

Category of Learning Outcomes	Learning Objective Description	Specific Objectives in Our Class
1. Technical Knowledge	Students will demonstrate technical proficiency in the accounting discipline, including the use of technical accounting knowledge to help solve problems and make decisions.	<ul style="list-style-type: none"> <li>➤ <u>You should gain factual knowledge of key auditing concepts</u>, including, for example: audit risk, control risk, inherent risk, detection risk, independence, professional skepticism, materiality, misstatement, substantive test, analytical procedures, fraud, errors, earnings management, etc.</li> <li>➤ <u>You should learn fundamental auditing principles</u>. For example, you should understand how the choices of audit risk and materiality and assessed risks affect audit testing.</li> <li>➤ <u>You should begin to learn higher order auditing skills</u>. For example, you should begin to learn how to conduct analytical procedures and combine evidence to determine whether there are material misstatements.</li> <li>➤ <u>You will learn judgment biases that can compromise the quality of auditors' technical decision-making</u>. For example, you should learn how anchoring bias can impede auditors' performance of analytical procedures.</li> <li>➤ <u>You will learn to use data analytics to perform audit procedures</u>. For example, you will learn how to use Tableau to perform risk assessment procedures that identify a company's locations with high risk of material misstatement related to the revenue account.</li> </ul>
2. Research, Analysis and Critical Thinking	Students will demonstrate the ability to critically analyze, synthesize, and evaluate information for decision making in the local, regional and global business environment.	<ul style="list-style-type: none"> <li>➤ <u>You should learn fundamental auditing principles</u>. Having a solid basis in principles allows you to learn more material, more quickly, later.</li> <li>➤ <u>You should learn to apply factual knowledge and auditing principles to novel situations</u>. That is, you should be able to apply the definitions and descriptions of important terms and fundamental auditing principles.</li> <li>➤ <u>You should learn to use data analytics to answer questions that require critical thinking</u>. For example, you will use Tableau to determine the engagement risk of an audit firm's client and correspondingly observe whether the fees align with your expectations.</li> </ul>
3. Ethical Decision Making	Students will demonstrate an understanding of ethics, ethical behavior and ethical decision making.	<ul style="list-style-type: none"> <li>➤ <u>You should learn professional standards related to auditor ethics</u>. For example, you should learn key independence requirements. Ethics is a cornerstone of the audit profession.</li> <li>➤ <u>You should learn judgment biases that can compromise the quality of auditors' ethical decision-making</u>. For example, you should learn how confirmation bias can impair auditors' objectivity when evaluating client management's assertions.</li> </ul>
4. Communication	Students will demonstrate the ability to communicate ideas	<ul style="list-style-type: none"> <li>➤ <u>You should demonstrate the ability to communicate effectively, precisely, and quickly, both orally and in writing</u>. While I will not be grading you on your speaking or writing per se, you will not receive full points on exam and case answers that are written</li> </ul>

	both orally and in writing in a clear, organized and persuasive manner.	vaguely and incompletely, or on class participation that is vague and incomplete. Much of the auditor's daily life is about verbal communication with teammates and clients. Also, much of the auditor's daily life is about compliance with lengthy and detailed standards. Demonstration of such compliance is through written documentation, and the PCAOB prioritizes effective documentation in its standards and inspections.
5. Leadership, Collaboration and Professionalism	Students will demonstrate leadership skills and the ability to work cooperatively and productively to accomplish established goals.	<ul style="list-style-type: none"> <li>➤ <u>You should demonstrate the ability to be a leader, and work effectively, collaboratively, and professionally, within groups when we are working on cases and activities during class, as well as when you are working on your data analytics case assignments with your group.</u> Exercising these skills within audit teams is an integral part of auditing.</li> </ul>
6. Technology	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.	<ul style="list-style-type: none"> <li>➤ <u>You should demonstrate the ability to use Tableau and Excel to complete auditing tasks, specifically in audit firms' engagement risk assessment, risk assessment related to revenue, performance of substantive analytical procedures over revenue, and year-end substantive testing over revenue.</u> The primary way you will exercise these skills will be in the data analytics cases. Audit firms are heavily incorporating these types of tools into their audit approaches.</li> <li>➤ <u>You should learn ways that firms are incorporating data analytics into the audit.</u> For example, you should learn how firms can use data analytics to perform risk assessment related to internal controls.</li> <li>➤ <u>You should learn how to use data analytics tools most effectively.</u> For example, you should learn characteristics of effective visualizations, and demonstrate your ability to prepare effective visualizations on the lab assignments.</li> </ul>

To achieve the above learning objectives, I will employ a combination of case readings, textbook and audit standards readings, interactive lecture, in-class problems and short cases, longer data analytics-focused cases (most of which you will work on during our scheduled Friday lab sessions), prompt feedback on cases and exams, and class participation. Research on learning indicates that it is very difficult to gain anything more than a superficial understanding of material without practice and feedback, so this class incorporates a substantial amount of both. Attending class sessions is very important to achieving these learning objectives. With regard to class participation, I expect questions from you during class, and I will also ask you questions. As mentioned in the learning objectives, in professional settings (like audit teams), you will be expected to respond promptly to questions, so it is important to incorporate this element of an auditor's life into the classroom setting.

## REQUIRED TEXTBOOKS AND READINGS

The following texts are required for this course (note: both the textbook and case book have E-book options, which are most cost-effective):

- Rittenberg, L.E., Johnstone, K.M., and Gramling, A.A., *Auditing: A Risk-Based Approach* (11<sup>th</sup> edition). Cengage Learning, 2018. ISBN-13: 978-1337619455
- Beasley, M.S., Buckless, F.A., Glover, S.M., and Prawitt, D.F., *Auditing Cases: An Interactive Learning Approach* (7<sup>th</sup> edition). Pearson, 2021. ISBN-13: 9780137503223

All other materials, such as auditing standards, articles, and other in-class cases, can be found online or on Blackboard, or will be provided to you. Auditing, ethics and independence, and quality control standards can be found on the PCAOB's website at [pcaobus.org](http://pcaobus.org). I also will post a booklet of all of the PCAOB auditing standards (most of the standards that will be covered) on Blackboard.

## PREREQUISITES AND/OR RECOMMENDED PREPARATION

The formal prerequisite for this course is ACCT 370. With regard to math skills, you will be able to use a simple calculator for calculations (I will provide you one for exams). I will expect that you have a working knowledge of personal computers, as well as basic knowledge of Excel and Tableau (and both of these tools on your personal computer). We will use Excel and Tableau in the data analytics cases. If you would like a refresher on these tools, there are helpful trainings that you can access through our IT services. To this end, please see the following link: <https://itservices.usc.edu/linkedin-learning/>.

## COURSE NOTES AND COMMUNICATION

I will post slides and handouts to our class Blackboard site prior to class. In my experience, some students prefer to learn during class by taking notes within the electronic slides – thus, you are welcome to download the slides and use them during class on your laptop or tablet. Alternatively, I have observed that some students prefer to take notes “by hand.” You should choose the approach that works best for you. Please make sure that you are able to access Blackboard after the first class meeting. I will communicate with you through Blackboard (which is connected to your USC email account). Please make sure that you have your USC email forwarded to another account if you do not check your USC email account frequently.

## CLASSROOM POLICIES

1. Class attendance and active class participation are important in achieving the learning objectives for this course.
2. Students who are experiencing illness should not attend class in person. I will record the class each day (except the Friday lab sessions) using Panopto and post a link to the video on Blackboard, so you will be able to see the material you missed.

## GRADE COMPOSITION

Total points for this course are 1000. Your letter grade will be determined based on your relative performance. I will follow the USC Marshall School of Business grading standards for undergraduate programs. The 1000 points for the course are divided as follows:

Component	Points
Midterm 1	230 (23%)
Midterm 2	230 (23%)
Final Exam (NOT CUMULATIVE)	240 (24%)
Data Analytics Cases	200 (20%)
Participation	100 (10%)
	1000 (100%)

## GRADING AND ASSIGNMENT DETAIL

### Graded Assessments

**Exams** will be taken in class and will be administered on paper. **Exams will be “closed-book” (i.e., you will not have access to any class resources or devices).** You will be permitted to use a simple calculator, which I will provide, consistent with School policy. You are not permitted to discuss the exam with classmates or any other individuals.

My expectations for your performance on exams are as follows. Exams will include a combination of multiple choice questions, short-answer questions, most of which will require recall of material, and essay questions, most of which will require analysis of presented material using your acquired knowledge. For questions requiring recall, the expectation is that you will recall the material accurately, precisely, and completely. For questions requiring analysis, the expectation is that you will appropriately apply the (correct) knowledge to the question so as to arrive at an accurate, precise, and complete analysis. Preparing for exams is facilitated by keeping up with the work in class, and by practicing with the practice exam that I will post on Blackboard.

The first midterm will be held on **Thursday, September 21<sup>st</sup> (in class)**, and will cover the material presented from August 22<sup>nd</sup> through September 19<sup>th</sup>. The second midterm will be held on **Thursday, October 26<sup>th</sup> (in class)**, and will cover the material presented from September 26<sup>th</sup> through October 24<sup>th</sup>. The second exam is not cumulative *per se* (that is, I will not retest you directly on topics presented in the August 22<sup>nd</sup> – September 19<sup>th</sup> classes); however, keep in mind that material we cover in the September 26<sup>th</sup> through October 24<sup>th</sup> classes builds on the earlier material. The final exam will be held on the Registrar’s scheduled dates/times, which are: **Tuesday, December 12<sup>th</sup> for the 12:00 section, 11:00AM-1:00PM, or Thursday, December 7<sup>th</sup> for the 2:00 section, 2:00-4:00PM**, and will cover the material presented from October 31<sup>st</sup> through November 30<sup>th</sup>. Again, while the final exam is not cumulative (I will not re-test material from the midterms), the material for the final exam builds on the previous material.

**Participation** will be assessed each class session, and will be based on two components. **First, I will assess your personal contributions to our class discussion;** examples of contributions would be answering questions that I pose and asking thoughtful questions about the material. It is my philosophy that learning best occurs in an enthusiastic, interactive environment, and student participation is a key way to foster that type of environment. In addition to optimizing your learning

in the course, I also believe that speaking up in class and offering your opinions will prepare you for your career after graduation. When you join a firm, whether in auditing, tax, or other areas of business, your employer will want you to speak up in meetings and contribute your opinions. Starting with that now, in the open and comfortable environment of our classroom that I will strive to create, can only help you refine these skills and more easily apply them in work settings. Plus, I think we all agree that an interactive, dynamic classroom with many contributors and different points of view is more interesting and fun than a more passive learning environment. So, I am enlisting your participation is helping us make this happen! **Second, I will collect an exercise that you will complete in small groups during class.** These will often be related to assigned case readings; you are responsible for reading the case prior to class. The cases are based on real-life auditing situations and will provide you with an understanding of how the principles we learn in class manifest in the audit environment. Other times, the exercise will be a different application of the material. There will be **24 class days** on which participation will be assessed (i.e., the first day, exam days, and day we will have an in-class lab session, are excluded). To accommodate for your not being able to attend class due to illness, including Covid, your participation grade will be determined based on your top 19 participation assessments.

**Data Analytics Cases** (except Case 3) will be completed in the Friday lab sessions, which are scheduled on four Fridays during the semester. **Lab Session 1 is September 8<sup>th</sup>, Lab Session 2 is September 29<sup>th</sup>, Lab Session 3 is October 6<sup>th</sup>, and Lab Session 4 is November 17<sup>th</sup>.**

- There are four data analytics cases. **Analytics Case 1** (completed in Lab Session 1), **Analytics Case 3** (completed during an in-class lab session, during class time on November 2<sup>nd</sup>), and **Analytics Case 4** (completed in Lab Session 4) will each be worth 40 points. **Analytics Case 2** is worth 80 points, and will be completed in Lab Session 2 and Lab Session 3.
- My expectations for your performance on cases are that you will exert a great deal of, and thoughtful, effort, so that there is a high probability of arriving at thoughtful, complete, and precise responses that effectively address the questions asked in each case. I also expect that your written responses to cases will appropriately document your effort and allow me to follow your thought processes.
- **It is very important, and to your advantage, to attend lab sessions, as it is the time that I am dedicating to** (1) providing my guidance on the data analytics cases, (2) forming groups of 4-5 students to complete each case, and (3) providing a forum for you and your group members to complete each case with my and the TA's assistance, as needed.
- You will work in your groups on the case during lab sessions, and **the groups for a case will be formed among students attending the lab session for that given case.**
- I will ask you to email me your group's case files when you have completed the requirements. Because I understand that you may need more time after the lab session to finish the case, you and your group members will have until **the date indicated on the course calendar at NOON, i.e., 12:00pm** to turn in the case. Submissions that are late, but submitted with 24 hours of the deadline, will be accepted with a 15 percent late penalty. Submissions after 24 hours will not be accepted.
- **Importantly, if you have a conflict and cannot attend a lab session, please let me know as far in advance as possible.** I will work with you to make alternative arrangements for you to complete the case.

## Policy for Making up Exams

It is to your advantage to take all exams at the time they are given.

With regard to exams, the policy of the Leventhal School of Accounting is that you should not miss exams unless there is a very serious emergency AND you can properly document this emergency. Also, to the extent possible, you must inform me of the emergency prior to the exam (I understand that this is not always possible). If you miss an exam for something other than a serious emergency and/or you cannot provide documentation, you will receive a grade of -0- on the exam. If there is a serious emergency and you can provide proper documentation and, where possible, notify me of the situation prior to the exam, I will not give a makeup exam. Instead, I will determine your grade from the remaining exams. That is, I will “gross up” the points from the other exams so that it is as if you are operating on a 1000-point scale. This policy works to your advantage (which is why I have implemented it) for two reasons. First, it is virtually impossible to create makeup exams that are of the same level of difficulty as the original exam; thus, I tend to err on the side of more difficult when creating the makeup one. Second, if you have experienced an emergency, your performance on an exam shortly thereafter likely would be compromised.

The final exam must be taken at the scheduled time unless an incomplete contract has previously been approved according to Leventhal School of Accounting guidelines.

## Policy for Regrading Exams

If you believe that your exam has been graded in error, I am happy to regrade it if you do the following. For a simple mistake, such as an addition error or a multiple-choice answer marked wrong incorrectly, please just show me the error. For a more complicated issue such as a debate about an essay answer or an answer to a longer problem, please put your concern in writing. NOTE: For either type of issue, you must contact me within 10 days of receiving the graded exam. If I do not receive a request for regarding within 10 days of your receipt of the graded exam, the grade will be considered final. Additionally, I reserve the right to regrade the entire exam.

## Policy on Artificial Intelligence (AI)-powered programs

In this course, I encourage you to use artificial intelligence (AI)-powered programs to help you with assignments that indicate the permitted use of AI (in our class, this will be the data analytics cases). You should also be aware that AI text generation tools may present incorrect information, biased responses, and incomplete analyses; thus they are not yet prepared to produce text that meets the standards of this course. To adhere to our university values, you must cite any AI-generated material (e.g., text, images, etc.) included or referenced in your work and provide the prompts used to generate the content. Using an AI tool to generate content without proper attribution will be treated as plagiarism and reported to the Office of Academic Integrity. For each of the four data analytics cases, we will discuss how you may use AI as a resource.

## ADDITIONAL INFORMATION

### Add/Drop Process

Most Marshall classes are open enrollment (R-clearance) through the Add deadline. If there is an open seat, you can add the class using Web Registration. If the class is full, you will need to continue checking Web Registration or the *Schedule of Classes* (classes.usc.edu) to see if a space becomes available. Students who do not attend the first two class sessions (for classes that meet twice per week) or the first class meeting (for classes that meet once per week) may be dropped from the course. There are no formal wait lists for Marshall undergraduate courses, and professors cannot add students or increase the course capacity. If ALL sections of the course are full, you can add your name to an interest list by contacting the Office of Undergraduate Advising & Student Affairs; if new seats or sections are added, students on the interest list will be notified.

I've summarized some key dates below:

- The last day to add the class, or withdraw without receiving a "W" and receive a refund, is September 8<sup>th</sup>.
- The last day to change the grade option from Grade to Pass/No Pass is September 8<sup>th</sup>.
- The last day to change the grade option from Pass/No Pass to Grade is October 6<sup>th</sup>.
- The last day to withdraw without receiving a "W" on the transcript (with no refund, and the "W" will still appear on the student record and STARS report) is October 6<sup>th</sup>.
- The last day to drop the course with a mark of a "W" is November 10<sup>th</sup>.

### Retention of Graded Coursework

Paper exams will be retained for one year after the end of the course, consistent with University policy.

### Open Expression and Respect for All

An important goal of the educational experience at USC Marshall is to be exposed to and discuss diverse, thought-provoking, and sometimes controversial ideas that challenge one's beliefs. In this course we will support the values articulated in the USC Marshall "[Open Expression Statement](#)."

### USC Statement on Academic Conduct and Support Systems

**Academic Integrity:** The University of Southern California is foremost a learning community committed to fostering successful scholars and researchers dedicated to the pursuit of knowledge and the transmission of ideas. Academic misconduct is in contrast to the university's mission to educate students through a broad array of first-rank academic, professional, and extracurricular programs and includes any act of dishonesty in the submission of academic work (either in draft or final form).

This course will follow the expectations for academic integrity as stated in the [USC Student Handbook](#). All students are expected to submit assignments that are original work and prepared specifically for the course/section in this academic term. You may not submit work written by others or "recycle" work prepared for other courses without obtaining written permission from the instructor(s). Students suspected of engaging in academic misconduct will be reported to the Office of Academic Integrity.



Other violations of academic misconduct include, but are not limited to, cheating, plagiarism, fabrication (e.g., falsifying data), knowingly assisting others in acts of academic dishonesty, and any act that gains or is intended to gain an unfair academic advantage.

The impact of academic dishonesty is far-reaching and is considered a serious offense against the university and could result in outcomes such as failure on the assignment, failure in the course, suspension, or even expulsion from the university.

For more information about academic integrity see the [student handbook](#) or the [Office of Academic Integrity's website](#), and university policies on [Research and Scholarship Misconduct](#).

Please ask your instructor if you are unsure what constitutes unauthorized assistance on an exam or assignment, or what information requires citation and/or attribution.

### **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](http://osas.usc.edu). You may contact OSAS at (213) 740-0776 or via email at [osasfrontdesk@usc.edu](mailto:osasfrontdesk@usc.edu).

### **Support Systems:**

*Counseling and Mental Health - (213) 740-9355 – 24/7 on call*  
[studenthealth.usc.edu/counseling](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://dps.usc.edu), [emergency.usc.edu](http://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](http://dps.usc.edu)

Non-emergency assistance or information.

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

[ombuds.usc.edu](http://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](mailto:otfp@med.usc.edu)*

[chan.usc.edu/otfp](http://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](http://blackboard.usc.edu)), teleconferencing, and other technologies.

## USE OF RECORDINGS AND COURSE CONTENT

USC has policies that prohibit recording and distribution of any synchronous and asynchronous course content outside of the learning environment.

Recording a university class without the express permission of the instructor and announcement to the class, or unless conducted pursuant to an Office of Student Accessibility Services (OSAS) accommodation. Recording can inhibit free discussion in the future, and thus infringe on the academic freedom of other students as well as the instructor. ([Living our Unifying Values: The USC Student Handbook](#), page 13).

Distribution or use of notes, recordings, exams, or other intellectual property, based on university classes or lectures without the express permission of the instructor for purposes other than individual or group study. This includes but is not limited to providing materials for distribution by services publishing course materials. This restriction on unauthorized use also applies to all information, which had been distributed to students or in any way had been displayed for use in relationship to the class, whether obtained in class, via email, on the internet, or via any other media. ([Living our Unifying Values: The USC Student Handbook](#), page 13).

## Course Calendar

### Key Dates

Thursday, September 21<sup>st</sup> (in class) – Exam 1

Thursday, October 26<sup>th</sup> (in class) – Exam 2

Tuesday, December 12<sup>th</sup> for the 12:00 section, 11:00AM-1:00PM, or Thursday, December 7<sup>th</sup> for the 2:00 section, 2:00-4:00PM (the University scheduled times set by the Registrar) – Final Exam

Friday Lab Session 1 – September 8<sup>th</sup> at 10:00AM (*Analytics Case 1, due Thursday, September 14<sup>th</sup>*)

Friday Lab Session 2 – September 29<sup>th</sup> at 10:00AM (*Analytics Case 2*)

Friday Lab Session 3 – October 6<sup>th</sup> at 10:00AM (cont'd *Analytics Case 2, due Tuesday, October 10<sup>th</sup>*)

In-Class Lab Session – Thursday, November 2<sup>nd</sup> (*Analytics Case 3, due Tuesday, November 14<sup>th</sup>*)

Friday Lab Session 4 – November 17<sup>th</sup> at 10:00AM (*Analytics Case 4, due Tuesday, November 28<sup>th</sup>*)

### Legend for Reading Assignments

- **JGR** = Rittenberg, L.E., Johnstone, K.M., and Gramling, A.A., *Auditing: A Risk-Based Approach* (11<sup>th</sup> edition).
- **BBGP** = Beasley, M.S., Buckless, F.A., Glover, S.M., and Prawitt, D.F., *Auditing Cases: An Interactive Learning Approach* (7<sup>th</sup> edition). Pearson, 2021.

### Notes About Class Preparation and Readings:

- **Cases (BBGP, or posted on Blackboard):** *It is very important to read the cases before class, as you will be working in groups on activities in class related to the case and will need to “jump right in.”*
- **Textbook Reading and Auditing Standards:** *You may read these before or after class, based on what works best for you; in my experience, some students prefer reading before class to gain a preliminary understanding of the material, whereas some students prefer reading after class to solidify their understanding of the material from class.*
- *For some classes, I will ask you to go through a problem on your own afterwards that we will do together in the next class. This will be noted in the “Preparation for Next Time” slide at the end of the class slides for that day.*

Class No.	Date	Topic(s)	Textbook Reading and Auditing Standards	Case Readings
1	Tues., 8/22	Introductions and Overview of Auditing		Rosie’s East End Restaurant – Part 1 (no advance preparation)
2	Thur., 8/24	The Landscape of Financial Statement Auditing	JGR: Ch. 1 – 3-11	Rosie’s East End Restaurant – Part 2 (think about take home reflection question)
3	Tues., 8/29	Economic and Societal (Investor Protection) Roles of Auditing	JGR: Ch. 2 – 69-71, 74-82	<b>BBGP Case:</b> Enron Corporation and Andersen LLP: Analyzing the Fall of Two Giants (starts on p. 75; you can skip over the “Unraveling the Special Purpose Entity” section, if you wish)

Class No.	Date	Topic(s)	Textbook Reading and Auditing Standards	Case Readings
4	Thur., 8/31	Oversight of and Standards for the Audit Verification (and Communication) Processes	JGR: Ch. 4 - 150-161; Ch. 5 - 172-176, 179-184; Ch. 10 - 494-495  AS 1001, 1005, 1010, 1015 (please read before class as these relate to an in-class problem we will do)	
5	Tues., 9/5	Professional Conduct and Independence	JGR: Ch. 1 - 11-27  AS 1005 ET 101.01	<b>Case:</b> If You Need Love, Get a Puppy: A Case Study on Professional Skepticism and Auditor Independence; <i>this one is posted on Blackboard for you, not in BBGP</i>
6	Thur., 9/7	Framework for the Audit Engagement; Client Acceptance; Overview of Audit Risk, Materiality, and Misstatements	JGR: Ch. 1 - 35-39; Ch. 5 - 177-179, 187-188; Ch. 7 - 280-285  AS 1101.02-.04, 2105.01-.06, 2610.01-.10 QC 20.14-.16	<b>BBGP Case:</b> Ocean Manufacturing Inc.: The New Client Acceptance Decision (starts on p. 13)
<b>Lab 1</b>	Fri., 9/8	<b>LAB SESSION 1 - Analytics Case 1: Audit Firm Engagement Risk Assessment and Audit Fee Analysis (due before NOON, i.e., 12:00pm on Thursday 9/14)</b>		
7	Tues., 9/12	Professional Judgment and Auditor Skepticism	JGR: Ch. 1 - 28-31  AS 1010, 1015.07-.09, 2301.07, 2401.13	<b>BBGP Case:</b> A Day in the Life of Brent Dorsey: Staff Auditor Professional Pressures (starts on p. 37); <i>will cover either this class or next class</i>
8	Thur., 9/14	Audit Risk Model; Material Misstatements in Financial Statement Assertions	JGR: Ch. 7 - 291-292, 303-308  AS 1101.05-.11; 1105.11, 2105.07-.12	<b>Analytics Case 1 due by NOON today</b>
9	Tues., 9/19	General Process of Risk Assessment	JGR: Ch. 5 - 189-190; Ch. 6 - 224-228, 230-232, 253; Ch. 7 - 286-291  AS 1101.05-.08; 2110.01-.17, .41-.45, .59-.64, .70-.71, .74, Appendix A	<b>Just exam prep!</b>
10	Thurs, 9/21	<b>EXAM 1 - IN CLASS</b>		

<b>Class No.</b>	<b>Date</b>	<b>Topic(s)</b>	<b>Textbook Reading and Auditing Standards</b>	<b>Case Readings</b>
<b>11</b>	Tues., 9/26	A Conceptual Understanding of: Assessing Inherent Risk of Errors, Earnings Management, and Fraud	<b>JGR:</b> Ch. 2 - 58-68; Ch. 9 - 407-416  AS 2110.49-.58, .65-.69, 2401.01-.13	<b>BBGP Case:</b> Koss Inc.: The Sounds of a High-Fidelity Fraud (starts on p. 135)
<b>12</b>	Thur., 9/28	Introduction to Data Analytics; Using Data Analytics as a Risk Assessment Tool, Part 1	<b>JGR:</b> Ch. 6 - 237; Ch. 7 - 298-301; Ch. 9 - 425-427  AS 2110.46-.48	<b>BBGP Case:</b> Laramie Wire Manufacturing: Using Analytical Procedures in Audit Planning (starts on p. 237)
<b>Lab 2</b>	Fri., 9/29	<b><i>LAB SESSION 2 - Analytics Case 2: Disaggregated Revenue Analytics (will continue working on this case in Lab Session 3)</i></b>		
<b>13</b>	Tues., 10/3	Using Data Analytics as a Risk Assessment Tool, Part 2	<b>JGR:</b> Ch. 8 - 341-342, 377-378	
<b>14</b>	Thur., 10/5	Introduction to Internal Controls and Integrated Audits; Entity-wide Controls and Control Risk Assessment; Introduction to Control Activities	<b>JGR:</b> Ch. 3 - 100-111; 117-121 Ch. 5 - 189-192; Ch. 7 - 293-295  AS 2110.18 -.40, 2605.04-.12	<b>BBGP Case:</b> Sarbox Scooter, Inc.: Scoping and Evaluation Judgments in the Audit of Internal Control over Financial Reporting (read just the Introduction and Background, i.e., pp. 177-179, and Appendix A, i.e., pp. 185-186).
<b>Lab 3</b>	Fri., 10/6	<b><i>LAB SESSION 3 - Analytics Case 2: Disaggregated Revenue Analytics (will continue working on this case in Lab Session 3; turn in final product by NOON, i.e., 12:00pm on Tuesday, 10/10)</i></b>		
<b>15</b>	Tues., 10/10	Assertion-level Controls; Introduction to Internal Controls; Brief Overview of IT Controls	<b>JGR:</b> Ch. 3 - 112-116, 122-123  <b>JGR:</b> Ch. 9 - 402-406, 418-424	<b>Analytics Case 2 due by NOON today</b>
	Thur., 10/12	<b><i>ENJOY FALL BREAK!</i></b>		

Class No.	Date	Topic(s)	Textbook Reading and Auditing Standards	Case Readings
16	Tues., 10/17	Testing Internal Controls; Attribute Sampling	JGR: Ch. 5 - 194-201; Ch. 6 - 234-239; Ch. 8 - 343-361; Ch. 9 - 430-434  AS 1105.13-.28, 2301.16.-.35, 2315.01-.14, .31-.43	
17	Thur., 10/19	Other Internal Control Issues; Internal Control Reports	JGR: Ch. 3 - 123-130; Ch. 15 - 830-833  AS 2201.62-.69, .85-.92, Appendix A	<b>BBGP Case:</b> Revisit Sarbox Scooter, Inc.: Scoping and Evaluation Judgments in the Audit of Internal Control over Financial Reporting (this time, read just Appendix B, starting on p. 187)
18	Tues., 10/24	Introduction to Substantive Tests; Principles of Evidence for Substantive Tests	JGR, Ch. 6 - 224-240  AS 1105	<b>Just exam prep!</b>
19	Thur., 10/26	<b>EXAM 2 - IN CLASS</b>		
20	Tues., 10/31	Planning and Performing Substantive Analytical Procedures	JGR, Ch. 6 - 241-247; Ch. 9 - 437-438  AS 2305	<b>Case:</b> Majestic Hotels; <i>this one is posted on Blackboard for you, not in BBGP</i>
21	Thur., 11/2	<b><i>IN-CLASS LAB: Analytics Case 3: Substantive Analytical Procedures Related to Revenue (due before NOON, i.e., 12:00pm on Tuesday 11/14)</i></b>		

<b>Class No.</b>	<b>Date</b>	<b>Topic(s)</b>	<b>Textbook Reading and Auditing Standards</b>	<b>Case Readings</b>
<b>22</b>	Tues., 11/7	Performing Substantive Analytical Procedures; Planning and Performing Tests of Details	<b>JGR</b> , Ch. 9 – 438-447; Ch. 11 – 598-604  AS 2301.39-.46, 2310, 2510	<b>BBGP Case:</b> Bud’s Big Blue Manufacturing: Accounts Receivable Confirmations (starts on p. 277; just read Introduction and Background sections; note we will use the following table and confirmations to do an audit task in class)
<b>23</b>	Thur., 11/9	Performing Tests of Details, including Monetary Unit Sampling	<b>JGR</b> , Ch. 8 – 344-345, 367-376  AS 2315.15-.30	
<b>24</b>	Tues., 11/14	Auditing Estimates	<b>JGR:</b> Ch. 6 – 247-249, 251-252 Ch. 9 – 447-448  AS 1210, 2501	<b>BBGP:</b> RedPack Beer Company: Estimating the Allowance for Bad Debts (starts on p. 305, read Background section, and then Schedule D and Schedule E; we will use the other pages in a class activity).  <b>Analytics Case 3 due by NOON today</b>
<b>25</b>	Thur., 11/16	End-of-Year Testing; Substantive Testing Related to Fraud	<b>JGR:</b> Ch. 2 – 72-73; Ch. 9 – 449; Ch. 10 – 524-525  AS 2110.49-.58, .65-.69; 2301.12-.15	
<b>Lab 4</b>	Fri., 11/17	<b><i>LAB SESSION 4 – Analytics Case 4: Year-End Substantive Testing Related to the Revenue Cycle (due before NOON, i.e., 12:00pm on 11/28)</i></b>		



Class No.	Date	Topic(s)	Textbook Reading and Auditing Standards	Case Readings
26	Tues., 11/21	Aggregating Results and Materiality	JGR: Ch. 14 - 736-741  AS 2810.10-.26	
	Thur., 11/23	<b>ENJOY THANKSGIVING HOLIDAY!</b>		
27	Tues., 11/28	Completing the Audit; Going-Concern Judgments; Auditor Reports, Etc. - Part I	JGR: Ch. 14 – 742-746, 757-769  AS 2415, 2820.1-.11	<b>BBGP:</b> Surfer Dude Duds, Inc.: Considering the Going Concern Assumption (starts on p. 413); <i>will cover either this class or next class</i>  <b>Analytics Case 4 due by NOON today</b>
28	Thur., 11/30	Completing the Audit; Going-Concern Judgments; Auditor Reports, Etc. - Part II	JGR: Ch. 15  AS 3101	