

# Principles of Auditing

Thursday, 12h15-14h00, via Zoom

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## 1. Objective

This course is designed to introduce the basic concepts of auditing at the bachelor level. Auditing is an inseparable part of the modern business world. For students who want to work for a company or start their own business, this course helps them understand the function of auditing and how to communicate with auditors in practice. For students who are interested in a career as an auditor or accounting researcher, the course builds the foundation for future studies.

At the end of the course, students are expected to have knowledge about basic audit theory and practice. The course is primarily designed to guide students to understand:

1. the foundation of audit market, service, and liability;
2. the communication between auditors and clients;
3. the audit work in practice, which involves control, sampling, test, and documentation.

The course language is English. Students who have finished the introductory year are preferable, but there are no strict prerequisites.

## 2. Organization

### Textbook and Materials

#### 1. PowerPoint Slides

The slides will be distributed before the beginning of each session on the ILIAS platform. These remain the main learning materials.

#### 2. Assignments

The course assignments will be distributed after each session on the ILIAS platform. These, along with the slides, are the main resource for exam preparation.

- Whittington, R., & Pany, K. Principles of Auditing and Other Assurance Services (International Student Edition). 21<sup>st</sup> ed.

The book will be available in the university library. Students can use it as a reference.

### Assignments and Presentations

All assignments are an integral part of the course and will be tested during the exam. Each session's assignment will be distributed to students after the class on the ILIAS platform.

Students are required to organize themselves in groups of not more than two students each and to announce the group's members to the lecturer via email by **sending in the group announcement sheets by no later than 17h00, March 2<sup>nd</sup>, 2021. Late submissions will not be considered.** Group announcement sheets can be downloaded from the ILIAS platform. Presentations throughout the semester will be equally distributed to all groups. In the case of groups with more than one member, all group members have to take part in the presentation. **Note that the presentation is a necessary precondition to take the final exam (see Grading below).**

The presentation will be conducted at the beginning of each session, and it will be about last session's assignment. During the presentation, the group in charge of the presentation will share solutions to the assignment and lead discussions about the assignment.

**The presentation group is required to send the presentation slides to the lecturer via email 48 hours before the beginning of the class** (other students who are not in the presentation group do not need to submit their solutions). **Groups that submit their slides late will be assigned to one more assignment presentation in order to pass.** The lecturer will give feedback to the slides in order to help students with their presentations. Early submission is recommended.

A complete solution of each assignment will be discussed during the presentation. After the session, the presentation group is responsible to account for the lecturer's feedback and to hand in a corrected version that can be posted on the ILIAS platform before the next session. Note however, that posted student solutions are not corrected by the lecturer. **No solutions of assignments will be distributed in class.**

After the presentation, each presentation group member will be given personal feedback from the lecturer about his/her presentation and communication skills. The presentation is not about being perfect. It is about being prepared and learning through practice.

Student presentations will start from the third session. In the second session, the lecturer will give the assignment presentation to provide some guidelines for future presentations. Students should feel free to include any presentation design that will make the content more understandable and engaging. Such designs are of course welcomed.

## Grading

The final grade will be based upon (i) presenting the group assignment (see Assignments and Presentations) and (ii) a written exam of 60 minutes.

The group presentations will be marked as “pass” or “fail.” Note that passing the group presentations is a necessary precondition to take the final exam. The group presentations need to be passed in the same academic year in which the exam is taken. **Students whose group does not pass the presentations cannot take the final exam.**

*Please note: The following information about the final exam is preliminary. The format of the exam might have to be adjusted as the Covid19 pandemic evolves. More information will be communicated by the lecturer in advance of the exam. Please regularly check KSL for updated information.*

The written exam is a closed book exam. The exam may include any combination of multiple-choice, short-answer, and larger numerical exercises. Topics covered in lecture and homework assignments are indicative of the topics tested on the exam. In the last session, a review session will be conducted. The lecturer will present key concepts with relevant questions to help students prepare for the exam.

Only the calculator TI-30 ECO RS (will be distributed) can be used during the exam. Private calculators, cell phones, or other electronic devices are not allowed during the exam. Any violation of these rules results in a zero exam score.

## Lecturer

Prof. Dr. Yanjia Yang is the lecturer responsible for this course. She worked as an auditor at KPMG before. With her practice experience, she hopes this course can bring auditors' work closer to students and also help students navigate their future career.

If students have any questions or want to arrange a meeting, please feel free to email her: [yanjia.yang@iuc.unibe.ch](mailto:yanjia.yang@iuc.unibe.ch)

## Miscellaneous

The classes will be conducted online via Zoom until further notice. For each session, the Zoom link will be communicated on the ILIAS platform.

To facilitate online teaching, during the zoom sessions, please turn on your video camera and display your real names. Students who do not keep their cameras on or display their real names will be removed.

### 3. Tentative Schedule and Course Outline

Session and Date	Topic and Content
Session 1 25.02.21	Course Introduction and Audit Market and Professional Standards <ul style="list-style-type: none"> <li>- Type of Auditors</li> <li>- Audit Services</li> <li>- Audit Firms</li> <li>- Auditing Standards</li> </ul>
Session 2 04.03.21	Professional Ethics and Legal Liability <ul style="list-style-type: none"> <li>- Ethical Decisions</li> <li>- Code of Professional Conduct</li> <li>- CPA</li> <li>- Legal Liabilities</li> </ul>
Session 3 11.03.21	Audit Evidence and Documentation <ul style="list-style-type: none"> <li>- Audit Risk, Audit Evidence, and Financial Statement Assertions</li> <li>- Substantive Procedures</li> <li>- Analytical Procedures</li> <li>- Data Analytics</li> <li>- Subjective Areas</li> <li>- Audit Documentation</li> </ul>
Session 4 18.03.21	Client Acceptance and Audit Planning <ul style="list-style-type: none"> <li>- Client Evaluation</li> <li>- Engagement Letter</li> <li>- Risk Assessment</li> <li>- Objective and Procedures</li> <li>- Materiality</li> </ul>
Session 5 25.03.21	Internal Control <ul style="list-style-type: none"> <li>- Control Environment</li> <li>- Control Activities</li> <li>- Information System</li> <li>- Monitoring of Controls</li> <li>- IT Risk and Controls</li> </ul>
Session 6 01.04.21	Audit Sampling <ul style="list-style-type: none"> <li>- Statistical and Non-statistical Sampling</li> <li>- Tests of Controls</li> <li>- Attributes Sampling</li> <li>- Substantive Tests of Details</li> <li>- Classical Variables Sampling</li> </ul>

Session 7 15.04.21	Cash and Financial Investments <ul style="list-style-type: none"> <li>- Objectives</li> <li>- Internal Control</li> <li>- Audit Work</li> </ul>
Session 8 22.04.21	Accounts Receivable, Notes Receivable, and Revenue <ul style="list-style-type: none"> <li>- Objectives</li> <li>- Internal Control</li> <li>- Audit Work</li> </ul>
Session 9 29.04.21	Inventories and Cost of Goods Sold <ul style="list-style-type: none"> <li>- Objectives</li> <li>- Internal Control</li> <li>- Audit Work</li> </ul>
Session 10 06.05.21	Property, Plant, and Equipment <ul style="list-style-type: none"> <li>- Objectives</li> <li>- Internal Control</li> <li>- Audit Work</li> </ul>
Session 11 20.05.21	Accounts Payable and Other Liabilities <ul style="list-style-type: none"> <li>- Objectives</li> <li>- Internal Control</li> <li>- Audit Work</li> </ul>
Session 12 27.05.21	Debt and Equity Capital <ul style="list-style-type: none"> <li>- Objectives</li> <li>- Internal Control</li> <li>- Audit Work</li> </ul> Completing the Audit and Audit Reports <ul style="list-style-type: none"> <li>- Auditing Operations</li> <li>- Wrap-up Procedures</li> <li>- Communication with Management</li> <li>- Audit Finding Evaluation</li> <li>- Engagement Review</li> <li>- Audit Opinion</li> </ul>
Session 13 03.06.21	Review and Preparation for the Exam