

# ACCT 206: AUDITING

## Citrus College Course Outline of Record

Heading	Value
Effective Term:	Fall 2024
Credits:	3
Total Contact Hours:	54
Lecture Hours :	54
Lab Hours:	0
Hours Arranged:	0
Outside of Class Hours:	108
Total Student Learning Hours:	162
Prerequisite:	ACCT 101 or ACCT 101H or equivalent course.
Transferable to CSU:	Yes
Transferable to UC:	No
Grading Method:	Standard Letter, Pass/No Pass

## Catalog Course Description

This auditing course explores the process of auditing financial records of profit seeking enterprises. The course provides an in-depth review and examination of topics that include the purpose of auditing, generally accepted auditing standards, internal controls, professional legal liability, gathering and evaluating audit evidence, creating audit reports and characteristics of a quality audit. 54 lecture hours.

## Course Objectives

- Discuss the importance of auditing to our economy and society in general
- Identify the ten generally accepted auditing standards and describe why they are required in an audit
- Explain the audit planning process and provide examples of the components of planning
- Define the elements of audit risk and their impact on how an audit is conducted
- Define the fraud triangle and discuss its impact on an audit
- Describe internal controls and the auditor's responsibility to evaluate the adequacy of internal controls as part of an audit
- Define audit evidence and identify the financial statement assertions that evidence is designed to verify
- Describe the audit procedures used to verify financial statement assertions
- Define sampling and describe how sampling is used in auditing
- Explain the revenue and cash receipts cycle and describe how auditors test the revenue cycle and the related income statement and balance sheet accounts
- Explain the disbursement cycle and how auditors test the disbursement cycle and related income statement and balance sheet accounts
- Describe how long-term assets are tested, verified and agreed to the financial statements
- Describe how long-term liabilities are tested and verified and agreed to the financial statements

- Describe how equity accounts are tested and verified and agreed to the financial statements
- Discuss the use of estimates in accounting and describe the risk associated with auditing estimates

## Major Course Content

1. Quality Auditing – Why it Matters
2. The Auditors Responsibilities regarding fraud
3. Regulation and Corporate Governance
4. Internal Control Over Financial Reporting
5. Professional Legal Liability
6. Professional Auditing Standards
7. Audit Evidence
8. Planning the Audit
9. Auditing the Revenue Cycle
10. Auditing Cash and financial instruments
11. Auditing Inventory, Goods & Services and Accounts Payable
12. Auditing Long Lived Assets
13. Auditing Debt, Equity and Long Term Liabilities
14. Completing a Quality Audit
15. Audit Reports for Financial Statement Audits

## Suggested Reading Other Than Required Textbook

Journal of Accountancy

## Examples of Required Writing Assignments

In April 2010, the PCAOB issued a disciplinary order instituting disciplinary proceedings, making findings, and imposing sanctions in the case of Robert T. Taylor, CPA (both the firm and the individual auditor). The order can be found in PCAOB Release No. 105–2010–006 at [www.pcaobus.org](http://www.pcaobus.org). (Hint: Search in the “Enforcement” section of the website, then go to “settled disciplinary orders,” then search to see the disciplinary order against Taylor.) a. Who is the PCAOB and what authority does it have to issue disciplinary orders and impose sanctions? b. What is the PCAOB's source of potential violations of law or PCAOB rules? c. The order in the case of Robert T. Taylor recognizes that PCAOB standards require that an auditor exercise due professional care, exercise professional skepticism, and obtain sufficient evidence on which to base an opinion on the financial statements. Describe instances in which the respondents in the order did not adhere to these requirements, resulting in low audit quality. d. What sanctions were imposed in this case? Do the sanctions seem appropriate?

## Examples of Outside Assignments

Locate and read the article listed below. Hsieh, Y., and Lin, C. (2016). Audit firms' client acceptance decisions: Does partner-level industry expertise matter? *Auditing: A Journal of Practice and Theory* 35(2): 9–120. a. What is the purpose of the study? b. Describe the design/method/approach used to conduct the study. c. What are the primary findings of the study?

## **Instruction Type(s)**

Lecture, Online Education Lecture