

CUYAMACA COLLEGE
COURSE OUTLINE OF RECORD

BUSINESS 124 – AUDITING

3 hours lecture, 3 units

Catalog Description

Study of the role of the auditor in the American economy including the general principles and concepts of auditing duties, ethics, liability and responsibilities of the auditor, and procedures for verification of financial statements including EDP statements.

Prerequisite

“C” grade or higher or “Pass” in BUS 120 or equivalent

Entrance Skills

Without the following skills, competencies and/or knowledge, students entering this course will be highly unlikely to succeed:

- 1) Rules and procedures related to accrual-based accounting, including appropriate terms and definitions.
- 2) Analyze transactions and record journal entries in two-column general journal format.
- 3) Understanding and application of the steps in the periodic processing cycle known as the accounting cycle.
- 4) Knowledge and understanding of three main financial statements: the balance sheet, the statement of income, and the statement of retained earnings.
- 5) Specific knowledge and related calculations with respect to the areas of cash, receivables, inventories, plant assets, liabilities, and owner’s equity.

Course Content

- 1) The role of the auditor
 - a. Communication of economic data
 - b. The attest function
 - c. Determining the fairness of financial statements
 - d. Developments of sampling techniques
- 2) Professional ethics
 - a. Professional ethics in public accounting
 - b. Rules of conduct
 1. Independence
 2. Integrity
 3. Objectivity
 - c. Enforcement of professional ethics
- 3) Legal liability of auditors
- 4) Planning the audit
- 5) Internal control
- 6) The audit of electronic data processing systems
- 7) Evidence
 - a. Auditor’s opinion based on evidence
 - b. Quantity and quality of evidence
- 8) Audit working papers
- 9) Beginning the audit: examination of general records
 - a. Cash

- b. Securities and other investments
 - c. Inventories and cost of sales
 - d. Property, plant and equipment, depreciation and depletion
 - e. Prepaid expenses, deferred charges and intangible assets
 - f. Accounts payable and other liabilities
 - g. Interest-bearing debt and contingent liabilities
 - h. Owners' equity
 - i. Further verification of revenue and expenses
- 10) Financial statements and audit reports
- a. Working papers supporting financial statements
 - 1. Balance sheet
 - 2. Income statement
 - 3. Retained earnings statement
 - b. Expression of an opinion by the CPA
 - 1. Unqualified opinion
 - 2. Qualified opinion
 - 3. Adverse Opinion
 - 4. Disclaimer of Opinion

Course Objectives

Students will be able to:

- 1) Identify the major components in the auditor's role
- 2) Describe the methods of sampling techniques
- 3) Diagnose problems of fairness on financial statements
- 4) Explain professional ethics and rules of conduct
- 5) Describe the auditor's legal liability
- 6) Plan and evaluate an audit

Method of Evaluation

A grading system will be established by the instructor and implemented uniformly. Grades will be based on demonstrated proficiency in subject matter determined by multiple measurements for evaluation, one of which must be essay exams, skills demonstration or, where appropriate, the symbol system.

- 1) Quizzes, exams
- 2) Review/scoring of weekly problems

Special Materials Required of Student

None

Minimum Instructional Facilities

Smart classroom

Method of Instruction

- 1) Lecture and discussion
- 2) Case study
- 3) Guest speakers

Out-of-Class Assignments

- 1) Reading assignments
- 2) Short writing assignments
- 3) Short research assignments

Texts and References

- 1) Required (representative example): Whittington, Ray and Kurt Pany. *Principles of Auditing and Other Assurance Services*. 21st edition. McGraw-Hill/Irwin, 2018.
- 2) Supplemental: None

Student Learning Outcomes

Students successfully completing the course will be able to:

- 1) Explain the need for generally accepted auditing standards.
- 2) Clarify the difference between various audit reports.
- 3) Describe the value of internal control systems.