



Bachelor's courses School of Business and Economics

VU University Amsterdam - Student- & Onderwijszaken - Exchange programme Vrije Universiteit - 2018-2019

Auditing

Course code	E_EBE3_AUD ()
Period	Period 5
Credits	6.0
Language of tuition	English
Faculty	School of Business and Economics
Coordinator	prof. dr. A.H. Gold
Examinator	prof. dr. A.H. Gold
Teaching method(s)	Lecture, Seminar, Instruction course
Level	300

Course objective

The goal of this introductory course to auditing is to learn about fundamental elements of (financial statement) auditing, both from a practical perspective and from a theoretical/academic point of view. With respect to the practical perspective, students will be exposed to the purpose of and economic demand for auditing, fundamental elements of conducting an audit, and the process employed by financial auditors (Bridging Theory and Practice - Knowledge; Academic and Research Skills; Bridging Theory and Practice - Application). Significant attention will be devoted to ethical threats facing the auditor (Self-Awareness, Broadening your Horizon). Finally, students will analyze, discuss and interpret academic audit research output (Bridging Theory and Practice - Knowledge; Academic and Research Skills).

More specifically, on successful completion of this course, students will be able to:

- explain the economic and societal role of financial audits;
- describe major applicable regulatory and ethical requirements that guide the conduct of audits and determine when these requirements are applicable;
- define and apply the main concepts of auditing, such as reasonable assurance, the audit risk model, and materiality;
- identify and illustrate all the stages of the audit process;
- reflect on ethical dilemmas that the student will face in his/her future role as auditor;
- analyze and interpret auditing cases using the obtained knowledge about main auditing concepts, the audit process, and given ethical awareness;
- recall and interpret the essence of a select number of state-of-the-art research articles in auditing and critically discuss and reflect on their findings.

Course content

Auditing involves the testing and evaluation of evidence against agreed norms or criteria. The auditor has an important societal function because financial statement users (e.g., shareholders) and other stakeholders require some level of third party assurance on the qualitative aspects of information found in the financial statements, such as information reliability and relevance. For example, shareholders require primarily assurance about the reliability of financial statements, since they use these statements for their professional decision-making. Providers of debt financing, such as banks, need to know whether the presented liquidity ratios are accurate.

The course will focus on the role of the auditor in society and what demands this role imposes on the auditor. We start by giving an introduction to the demand for auditing, relying on the theoretical economic foundations of the profession. Next, the course focuses on the audit process, starting with the planning stage of the audit, where the auditor obtains an understanding of the client and its business and designs the audit plan, while paying careful attention to the audit risk model. The next two audit stages discussed at a general level include the conduct of audit procedures. Auditors can obtain various types of audit evidence to test the assertions (claims) made by management in the financial statements. The audit process concludes with the completion stage of the audit. By examining audit evidence obtained during an audit, auditors ultimately decide which type of auditor's report to issue. We also devote significant attention throughout the course on the audit profession's need for ethical behavior and professional skepticism, as well as the auditor's role and responsibilities with respect to fraud. Throughout the course, students will be offered the opportunity of interacting with practice during audit firm visits, practice-based case studies and/or guest lectures by practitioners.

Aside from offering students a practice-based introduction to the auditing profession, students will also be exposed to the academic auditing discipline by reading a selection of academic audit research papers and discussing the importance of the findings for the auditing profession.

Form of tuition

Lectures.
Tutorials.

Type of assessment

Midterm multiple choice test(s) – individual assessment.
Attendance/presentation – individual assessment.
Case assignments – group assessment.
Written exam with open questions – individual assessment.

Course reading

- 'Principles of Auditing' by Rick Hayes, Hans Gortemaker, and Philip Wallage, Pearson 3rd Edition.
- Academic papers (available on Canvas).
- Additional readings will be announced on Canvas.

Recommended background knowledge

Basic understanding of Financial Accounting and Accounting Information Systems.