El Camino College
COURSE OUTLINE OF RECORD – Official

Course Acronym:	BUS
Course Number:	159
Descriptive Title:	Financial Auditing
Division:	Business
Department:	Accounting
Course Disciplines:	Accounting
Catalog Description:	This course covers financial statement audit and assurance services, emphasizing risk assessment, auditing procedures and practices, internal controls, and audit opinions provided by independent external auditors used in public practice.
Prerequisite:	BUS 151 with a minimum grade of C or equivalent experience
Co-requisite:	
Recommended Preparation:	
Enrollment Limitation:	
Hours Lecture (per week):	3
Hours Laboratory (per week):	0
Outside Study Hours:	6
Total Course Hours:	54
Course Units:	3
Grading Method:	Letter Grade only
Credit Status:	Credit, degree applicable
Transfer CSU:	Yes
Effective Date:	
Transfer UC:	No
Effective Date:	
General Education: ECC	
Term:	
Other:	
CSU GE:	
Term:	
Other:	
IGETC:	
Term:	
Other:	
CalGETC:	
Term:	
Other:	

Student Learning Outcomes:	**SLO #1 Language of Auditing** Interpret the language of auditing. **SLO #2 Internal Control** Explain internal control structures and processes, including the auditor's required report on internal control. **SLO #3 Financial Statement Audit** Identify the procedures used in planning and executing the financial statement audit, and the types of reports offered by independent auditors.
Course Objectives:	1. Explain the nature, purpose, importance, and regulatory framework of the audit and attestation functions in the United States. 2. Identify the professional standards used in the examination of privately and publicly held corporations. 3. Utilize the AICPA Code of Professional Conduct to make ethical decisions in the context of CPA services. 4. Describe the sources and types of CPA professional liability, and defenses thereto, under common and statutory law. 5. Explain the interdependence between audit risk, audit evidence, and financial statement assertions. 6. Describe the major steps in the audit process, and including risk assessment, and procedures designed to collect audit evidence. 7. Define internal control and its components, its importance in the audit, and procedures to test internal control. 8. Assess risks, describe objectives, and design auditing procedures and programs for all major accounts and accounting cycles. 9. Explain procedures necessary to evaluate audit findings and complete the audit. 10. Identify the standard audit report and modifications to the standard report for non-public companies. 11. Compare and contrast management's and the auditor's responsibilities in the integrated audit of financial statements.
Major Topics:	**I. The role of the public accountant in the American economy (3 hours, lecture)** A. Demand for audits B. Types of audits C. Types of auditors D. AICPA E. CPA Exam F. State Boards of Accountancy G. FASB H. PCAOB I. SEC J. Professional Development for CPAs **II. Professional Standards (3 hours, lecture)** A. AICPA standards B. PCAOB standards C. Auditor's responsibility for detecting misstatements D. Auditors' reports E. Attestation standards F. Quality control G. Regulation of CPA firms H. International Standards **III. Professional Ethics (4 hours, lecture)**

A. The nature of ethics
B. The need for professional ethics
C. AICPA Code of Professional Conduct
    1. Structure
    2. Applicability to members in public practice
    3. Independence
    4. Additional code of conduct rules
    5. Applicability to members in business and others
    6. Enforcement of professional ethics
    7. Ethics for internal auditors

IV. Legal Liability of CPAs (4 hours, lecture)

A. Scope of CPA liability
B. CPAs liability to their clients under common law
C. CPAs liability to third parties under common law
D. CPAS liability third parties under statutory law

V. Audit Evidence and Documentation (4 hours, lecture)

A. Relationships among audit risk, audit evidence, and financial statement assertions
B. Substantive procedures
C. Analytical procedures
D. Data analytics
E. Audit evidence for subjective areas
F. Audit documentation

VI. Audit Planning, Understanding the Client, Assessing Risks and Responding (4 hours, lecture)

A. The audit process
B. Obtaining clients
C. Planning the audit
D. Obtaining an understanding of the client and its environment
E. Assessing the risks of material misstatement and designing further audit procedures
F. The audit plan's systems and substantive portions
G. Substantiation of account balances

VII. Internal Control (4 hours, lecture)

A. The meaning of Internal Control
B. The control environment
C. Risk assessment
D. Control activities
E. The accounting information system
F. Monitoring of controls
G. Limitation of Internal Control
H. Enterprise Risk Management
I. Corporate Governance and its relationship to Internal Control
J. Financial statement audits: the role of Internal Control
K. Obtaining an understanding of the client and its Internal Control environment
L. Assess the key risks of material misstatement
M. Design and perform further audit procedures
N. Internal Control reporting by public companies and their auditors
O. Internal control in the small company

VIII. Accounts Receivable, Notes Receivable, and Revenue (4 hours, lecture)

A. Sources and nature of accounts receivable and notes receivable
B. Auditor objectives
C. Internal controls

1. Control environment
2. Risk assessment
3. Revenue cycle - accounting system and control activities
4. Monitoring

D. Audit documentation
E. Audit of accounts receivable and revenue

IX. Inventories and Cost of Goods Sold (4 hours, lecture)

A. Sources and nature of inventories and cost of goods sold
B. Auditor's objectives
C. Internal control
    1. Control environment
    2. Risk assessment
    3. Monitoring
    4. Purchase and production cycle - accounting system and control activities
D. Audit documentation
E. Audit of inventories and cost of goods sold

X. Accounts Payable and Other Liabilities (4 hours, lecture)

A. Sources and nature of accounts payable
B. Auditor's objectives
C. Internal control
    1. Control environment
    2. Risk assessment
    3. Monitoring
    4. Control activities
D. Audit documentation
E. Audit of accounts payable
F. Other liabilities

XI. Debt and Equity Capital (4 hours, lecture)

A. Sources and nature of debt
B. Auditors objectives
C. Assessment of inherent risk
D. Internal control
    1. Control environment
    2. Risk assessment
    3. Monitoring
    4. Control activities
E. Audit documentation
F. Audit of debt
G. Audit of equity capital
H. Audit plan - capital stock
I. Retained earnings and dividends

XII. Auditing Operations and Completing the Audit (4 hours, lecture)

A. Auditing operations
B. Revenue
C. Expenses
D. Payroll
E. Completing the audit
F. Responsibilities for other information
G. Post-audit responsibilities

XIII. Auditors Reports (4 hours, lecture)

A. Financial statements and unmodified audit reports
B. Expression of an opinion
C. Reports with unmodified opinion and additional paragraph

	1. Going concern 2. Lack of consistency 3. Additional financial statement information 4. Auditor discretionary items 5. Group financial statements D. Modified opinions 1. Qualified opinions 2. Adverse opinions E. Disclaimer of opinion F. Additional reporting issues **XIV. Integrated Audits of Public Companies (4 hours, lecture)** A. Management's responsibility for internal control B. Auditor's responsibility for reporting on Internal Control in PCAOB audits 1. Test and evaluate design effectiveness of internal control over financial reporting 2. Test and evaluate operating effectiveness of internal control over financial reporting 3. Opinion on effectiveness of internal control over financial reporting 4. Audit report modifications 5. Reporting on previous internal control weakness 6. Integrated audits for non-public companies
Total Lecture Hours:	54
Total Laboratory Hours:	0
Total Hours:	54
A.1. Primary Methods of Evaluation (Part 1 - CCN courses only):	
A.2. Primary Method of Evaluation (Part 2 - all courses; choose one):	2) Problem solving demonstrations (computational or non-computational)
Typical Assignment Using Primary Method of Evaluation:	You are engaged in the audit of the financial statements of Holman Corporation for the year ended December 31, 20X6. An analysis of the Property, Plant, and Equipment and related accumulated depreciation accounts has been prepared by the chief accountant of the client. You have traced the beginning balances to your prior year's audit working papers. Your audit revealed the following information: 1. The company completed the construction of a wing on the plant building on June 30. The service life of the building was not extended by this addition. The lowest construction bid received was $17,900, the amount recorded in the Buildings account. Company personnel constructed the addition at a cost of $16,300 (materials, $7,600; labor, $5,600; and overhead, $3,100). 2. On August 18, $5,100 was paid for paving and fencing a portion of land owned by the company and used as a parking lot for employees. The expenditure was charged to the Land account. Using an Excel spreadsheet, prepare the adjusting journal entries that you would propose at December 31, 20X6, to adjust the accounts for the above transactions.
Critical Thinking Assignment 1:	You are retained by Columbia Corporation to audit its financial statements for the fiscal year ended June 30. Your consideration of internal control indicates a fairly satisfactory condition, although there are not enough employees to permit an extensive separation of duties. The company is one of the smaller units in its industry, but it has realized net income of about $500,000 in each of the last three years.

	Near the end of your fieldwork, you overhear a telephone call received by the president of the company while you are discussing the audit with him. The telephone conversation indicates that on May 15 of the current year, the Columbia Corporation made an accommodation endorsement of a 60-day $430,000 note issued by a major customer, Brill Corporation, to its bank. The purpose of the telephone call from Brill was to inform your client that the note had been paid at the maturity date. You had not been aware of the existence of the note before overhearing the telephone call. In a one-page paper, explain from an ethical standpoint, whether auditors should be justified in acting on information acquired in this manner.
Critical Thinking Assignment 2:	During your annual audit of Walker Distributing Co., your assistant, Jane Williams, reports to you that, although a number of entries were made during the year in the general ledger account Notes Payable to Officers, she decided that it was not necessary to audit the account because it had a zero balance at year-end. Do you agree with your assistant's decision? In a one-page paper, discuss your answer.
Other Evaluation Methods:	Homework Problems, Objective Exam, Quizzes, Written Homework
Instructional Methods:	Discussion, Group Activities, Lecture, Multimedia presentations
If other:	Task-based simulations from CPA Exam
Work Outside of Class:	Answer questions, Problem solving activity, Required reading, Skill practice, Study
If Other:	
Up-To-Date Representative Texts:	Principles of Auditing and Other Assurance Services, Whittington & Pany. McGraw Hill; 2024 Release
Alternative Texts:	
Required Supplementary Readings:	
Other Required Materials:	
Requisite:	Prerequisite
Category:	sequential
Requisite course(s): List both prerequisites and corequisites in this box.	BUS 151
Requisite and Matching skill(s):Bold the requisite skill. List the corresponding course objective under each skill(s).	**Students must interpret basic financial statements in order to perform an audit.** BUS 151 - Prepare basic corporate financial statements and accounting notes such as Income Statements, Balance Sheets, Statements of Stockholders Equity and Statements of Cash Flow. BUS 151 - Interpret and evaluate basic corporate financial statements, notes, and information as presented in public annual reports.
Requisite Skill:	Prerequisite
Requisite Skill and Matching Skill(s): Bold the requisite skill(s). If applicable	**Students must interpret basic financial statements in order to perform an audit.** Prepare basic corporate financial statements and accounting notes such as Income Statements, Balance Sheets, Statements of Stockholders Equity and Statements of Cash Flow.

	Interpret and evaluate basic corporate financial statements, notes, and information as presented in public annual reports.
Requisite course:	
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Enrollment Limitations and Category:	
Enrollment Limitations Impact:	
Course Created by:	Kurt M. Hull
Date:	06/18/19
Original Board Approval Date:	
Last Reviewed and/or Revised by:	Sidney Porter
Date:	10/15/2025
Last Board Approval Date:	01/21/2026
Effective Term:	FA 2026