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Analyzing pedagogical approaches used in second auditing courses

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ABSTRACT

To help professors develop, design and improve second auditing classes, we surveyed members of the American Accounting Association's Auditing Section to identify programs that offer second auditing courses, the textbooks used for such courses, and the learning activities used. Total and second auditing course only respondents (n = 252 and n = 80, respectively) identified university, program, and auditing course demographics, while second auditing course respondents identified the classroom activities that extend the second auditing course beyond the basics found in textbooks. Results reveal the textbooks used for first and second auditing courses, learning objectives, website resources, manual and computerized cases, group projects, software programs, video presentations, supplementary materials, and an analysis of national syllabi. These results, drawn from a diverse group of institutions, can serve as a resource to help professors develop and improve the content for a second auditing course.

1. Introduction and background

While introductory auditing courses generally cover similar topics, we see much diversity in the content of second (usually advanced) auditing courses. Little recent research exists on this topic. Given a rapidly changing business environment due to a proliferation of regulations and increased use of information technology, an updated study on what is and should be covered in second auditing courses can help faculty members develop and improve second auditing courses.

To improve students' long-term career prospects, Lawson et al.'s (2014) educational framework develops competencies, not courses, to encompass broadly all accounting disciplines such as financial, management, taxation, information systems and assurance. The competencies are based upon The Pathways Commission Framework (2012) and include foundational, broad management, and accounting competencies. Ultimately, developing accounting competencies (e.g. external reporting and professional ethics) should consider both foundational competencies (communication, quantitative, analytical thinking/problem solving, interpersonal, and technological) and broad management competencies (leadership; ethics/social responsibility; process management and improvement; governance, risk and compliance; plus others).

Key business failures led to the passage of the Sarbanes-Oxley Act (SOX) in 2002 that greatly impacted the auditing profession. The post-SOX auditing environment demands auditors to better grasp risk assessment, including fraud risk assessment. Students must grasp, document, and link internal controls to draw conclusions related to assertions, audit evidence, and fraud risk assessment. Teaching these skills will impact the content of both the first and second auditing courses, plus change the core business and accounting curriculum (Arens & Elder, 2006).

Various sources have detailed the need for a second auditing class (Frakes, 1987); found that students at larger programs typically take second auditing classes (Groomer & Heintz, 1994); discussed the evolution of auditing class topics (AAA Auditing Section Education Committee, 2003; Rezaee, Crumbley, & Elmore, 2004); showed the correlation between textbooks used and topics covered in a class (Blouch, Michenzi, & Ulrich, 2009); and offered CPA firms insights on important auditing topics (Blouch, Ulrich, & Michenzi, 2015). Since the AAA Auditing Section Education Committee (2003) report, little research has examined materials from second auditing courses (e.g., texts, topics, cases, and readings) beyond current course topics as compared to those reported in prior surveys. Most prior studies were published pre-SOX. Also, as the profession matures, we believe that audit firms will demand their newly hired professional skills to amass more skills, thus making more universities more likely offering second auditing classes. While CPA Exam education requirements vary by state, most states require 150 credit hours for licensure[1] and covering all CPA Exam

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[1] http://www.aicpa.org/BECOMEACPA/LICENSURE/REQUIREMENTS/Pages/default.aspx#states.

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potentially testable audit topics in one course has proven to be difficult.[2]

The present study surveys public and private university faculty at a wide array of large and small programs, regarding the content of auditing courses, focusing on the second course. We provide specific information and techniques regarding second auditing course professors' websites visited, standards covered, supplemental activities, group projects, and software activities. We also detail the top-four activities professors believe make their courses unique, which should provide ideas and detailed guidance for faculty developing or improving second auditing courses. Such courses should provide the skills that future employers demand.

1.1. Auditing course analysis studies

1.1.1. Prior AAA-sponsored studies

While several prior studies have examined important issues in auditing curricula (see Table 1), little research has focused on the design of second auditing courses. Frakes (1987), in an AAA Auditing Section-commissioned study, reported findings of a survey about undergraduate auditing courses. Finding course content to be textbook dependent, he suggests that the AAA's Auditing Section help faculty design curricula, develop relevant teaching materials, and disseminate technology and continuing education. Open-ended responses to questions on how to improve students' undergraduate education elicited strong support for a second auditing course, which relatively few schools offered at that time. We address specifically second auditing course curricula, teaching materials, and technology used.

G and H (1994) followed up on Frakes' (1987) study, sampling 196 Hasselback Directory-listed schools from accounting departments with at least five assistant professors. Responses included 45, 34, and 19 programs that offered one, two, and more than two auditing courses, respectively. Compared to Frakes' (1987) study, G and H (1994) found that students at larger, public, AACSB-accredited programs take more than one auditing course more often than those at smaller, private, non–AACSB-accredited programs. G and H (1994) listed the time spent covering general topics (e.g., systems auditing and compilation and review), grading criteria, textbooks and readings used, but they provided little input on techniques (e.g., specific journal articles or cases) in developing a second auditing course.

A 2000–2001 AAA Auditing Section Education Committee (2003) survey of its members identified key topics and compared them to Frakes' (1987) and G and H's (1994) prior auditing course surveys. Deriving data from 262 U.S. and worldwide auditing and assurance courses, they found major differences in content (e.g., expanded coverage of fraud, information technology, and assurance services) and pedagogy (e.g., increased use of team projects, student presentations, cases, and Internet tasks) in first and second auditing courses. They discussed these post-1980s changes in the context of events that significantly impacted auditing education and practice and listed topics from first auditing course syllabi, textbooks used, and learning activities.

More recently, the Pathways Commission on Higher Education (2012) report recommends, “integration of accounting research, education, and practice for students, accounting practitioners, and educators.” Such initiatives included integrating: (1) professionally oriented faculty more fully into significant aspects of accounting education, programs, and research; and (2) accounting research into accounting courses and programs. Ideally, learning should consider diverse student bodies amassing technological and global trends.

1.1.2. Studies assessing the impact of SOX on auditing curricula

Similar to Frakes (1987), Blouch et al. (2009) used 71 responses from auditing faculty at AACSB-accredited institutions to find that undergraduate auditing course content depends highly upon the topics covered in the textbook used. Of the 63 examined auditing topics, nine related specifically to SOX. They later (2014) surveyed auditing faculty on the relative importance of these 63 auditing topics while focusing on changes to the curriculum due to SOX. Findings indicated adequate SOX coverage in risk assessment, forensic accounting skills, documenting and linking controls to assertions and audit evidence, and grasping corporate governance and specific PCAOB requirements.

In light of their 2014 results, and to help auditing faculty and textbook authors update their syllabi, Blouch et al. (2015) surveyed 413 practicing CPA offices to assess the relative importance of 63 auditing topics in 14 general areas that should help students succeed as professional accountants. Examining six major auditing textbooks, they added nine topics to their 2009 paper. Blouch et al. (2015) compared new curricular changes based upon course content in light of the passage of SOX. Little change occurred in their 14 general auditing categories. However, they found that, post-SOX, there was significantly more coverage on materiality, reporting on internal controls, defining audit risk and business failure, assessing business risk, and analyzing statistical results and the resulting effects on audit procedures. They also saw significantly less coverage on compilation and review services, reports, internal control reportable differences, and generally accepted governmental auditing standards. These changes likely arose in part to a greater focus on audit procedures for larger audit firms (because over time smaller firms have tended to perform fewer audits).

2. Research instrument

2.1. Research design

We developed our survey instrument (shown in the Appendix) after reviewing the above literature, syllabi for 20 nationwide auditing or advanced auditing courses, and pre-testing the instrument by obtaining input from 16 auditing faculty members. Survey contents include: types of programs that offer auditing courses (e.g., undergraduate or graduate); auditing textbook(s) used for each course; learning activities (e.g., website and software use) used in each course; up to four instructor-designed, self-reported activities to enhance the class (i.e., go beyond the text); and demographic information (e.g., program size plus the respondent's educational and certification background).

While survey responses were confidential, respondents could request summarized results and submit copies of their syllabi. To obtain our responses, we justified our survey to the AAA Auditing Section's Executive Committee, which agreed to distribute it and our cover letter to all section members, and to distribute a second request about three months later. We obtained data from 252 respondents to a survey link emailed to 1563[3] section members (16.1% response rate). To maximize responses, respondents could omit questions, resulting in varying response rates to each question.[4] We also asked those not teaching a second auditing course to jump to the end of the survey after completing some demographic information.

3. Results and discussion

3.1. Demographic data

Per Table 2, most respondents teaching both the second (72 of 80 respondents = 90%) and all auditing courses (145 of 167 = 86.8%)

[2] http://www.aicpa.org/BecomeACPA/CPAExam/ExaminationContent/ContentAndSkills/DownloadableDocuments/CSOs-SSOs-Effective-Jan-2017.pdf.

[3] The AAA Auditing Section contained about 19% of international members at the time of our mailing.

[4] The number of responses for each question appears in each table or panel.

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