Using University/College Organizations to Teach Auditing Concepts in Risk Assessments

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INTRODUCTION

• The Principles of Auditing course, of all the accounting courses, represents the most conceptually challenging course in a typical accounting program, due mainly to the lack of students’ experience in business.
• Typically when auditing concepts, especially risk assessments, are taught in class, instructors are forced to use generic items and a global perspective as examples to illustrate this issue. Most often students are challenged to visualize these concepts.
• One approach we suggest to overcome this lack of experience is to use university organizations to demonstrate risk assessments.

EXPERIENCE WITH RISK ASSESSMENTS

• While risk assessments comprise the most important and fundamental aspect of auditing, students limited experiences and exposure to business practices make it difficult for them to understand these concepts beyond the basic theoretical aspects discussed in textbooks.
• Authors of textbooks do recognize this limitation and try to include as many examples as possible in illustrations but these necessarily have to be condensed to include only the important aspects of the assessments.
• Similarly the assessment exercises and case studies included in the back of chapter materials have to limit the information set given to students to only that that is relevant for making risk assessments.

SUGGESTIONS FOR REAL-WORLD EXPERIENCES

• The ideal scenario to increase students’ understanding of risk assessments would be to have students involved in real auditing situations involving these decisions.
• However there are only limited circumstances when these can occur (internships, coop jobs, etc.) and not all university programs have the resources to enable students to get these real-life experiences.
• Also, the typical assignments for students at this level would not involve risk assessments.
• The best alternative to using real audits is then to use campus organizations, especially those that have commercial transactions.
• In some cases, small businesses in the immediate vicinity of the university can be contacted too since they could derive tangible benefits from the exercise.

RISK ASSESSMENT EXERCISES

• Depending on the class size, professors should contact the managers of the organizations at the start of each semester to get permissions for students to be involved in these assessments.
• Students, individually or in groups, should be assigned to assess business risks in these organizations.
• Initially students should research the types of activities that are performed by each organization and assess the types of errors/irregularities that could occur without controls.
• Participation of the managers in the reporting process should be encouraged so that the students can get some experience of how their findings could be subject to evaluation by clients in real audits.
• The best alternative to using real audits is then to use campus organizations, especially those that have commercial transactions.
• Similarly the assessment exercises and case studies included in the back of chapter materials have to limit the information set given to students to only that that is relevant for making risk assessments.

CONCLUSIONS

• Using student organizations for risk assessment exercises enables instructors to overcome this inherent limitation and also enhances students’ learning processes so they are better prepared for their auditing career.

SUGGESTED REPORTS

• Reports written by the students would be the most obvious item for assessments.
• However, to encourage students to practice oral communications, they should be required to present their findings in class.
• Participation of the managers in the reporting process should be encouraged so that the students can get some experience of how their findings could be subject to evaluation by clients in real audits.
• To encourage participation of all students in the exercise and also give the students an experience of the peer review process used in auditing firms, team members should be required to give feedback on their team members which would impact the grades earned by the students in the assignment.

For further information
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