



**National Taiwan University  
Department of Accounting**

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**ACC5002 Advanced Auditing**

**Course Syllabus**

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**Instructor:** Szu-fan Chen  
**Office:** Room 804, College of Management Building II  
**Email:** [sfanchen@ntu.edu.tw](mailto:sfanchen@ntu.edu.tw)

**Classes:** Tuesday 14:20-17:20  
**Office hours:** Email for appointment

**Course Description:**

This course introduces students to the theories and contemporary archival studies of auditing. It surveys important auditing research published in top journals, focusing mainly on financial statement audits. It also introduces academic studies on business in general and illustrates basic concepts, data sources, and tools in accounting studies.

**Course Objectives:**

By the end of this course, you should be able to:

1. Understand and execute academic research in business.
2. Understand fundamental theories of auditing.
3. Understand the ongoing challenges faced by auditors and the reasons for recent (or current) regulations on auditors, such as the separation of audit and non-audit services and the mandatory rotation of audit partners.
4. Develop critical thinking and problem-solving skills.

**Required readings:**

Read all papers listed in the tentative schedule for class coverage. You may find the papers on <https://scholar.google.com/>.

**Language:**

All presentations in the class must be in English. Reports can be in Mandarin if all group members agree.

## Groups:

Please sign up a group on NTU Cool by the end of the first week. The majority of the course activities will be done in groups.

## Course Assessment:

- a) Required papers:
  - Presentation ..... 25%
  - Participation..... 15%
- b) Additional assignment ..... 10%
- c) Practice of archival research:
  - Midterm report ..... 10%
  - Final presentation ..... 30%
  - Final report ..... 10%

## NOTES:

1. All presentations (presentation of required papers and final presentation) will be done by groups.
2. Participation will be graded based on (1) the critique of the presented papers in the class and (2) the interactions with the presenter or the instructor in the class. Students must show clearly visible name cards to earn the marks.
3. The additional assignment, midterm report, and final report will be done by groups. Each group will receive one grade for all group members.
4. All assignments are due by 13:20 (one hour before the class) on the due date.
5. Any sign of plagiarism will result in an F grade.

## Presentation of required papers:

Papers will be randomly assigned to each group in the second week. Ask me about any parts of the paper that you cannot understand before the day of presentation. No excuse of not understanding the paper on the presentation day.

Each group must submit the presentation slides by 13:20 (one hour before the class) on the presentation day. Prepare a 40-minute presentation of the paper and then spend an additional 10 minutes on answering questions. Each presentation will be 50 minutes in total.

Your presentation should be aimed at helping your classmates understand the paper. If your classmates find your presentation difficult to follow, your grade will be lower.

Each student must present in order to receive individual grades. If your group has any special request about how to allocate the grade, let me know in advance.

### **Additional assignment:**

NTU Cool will provide details of the assignment. There will be one additional assignment and you will be required to download documents filed by public companies and write a short report.

### **Practice of archival research:**

- Your report must extend a paper published on the following journals between 1980 and 2023 (hereafter “original paper”):  
Journal of Accounting Research, Journal of Accounting & Economics, The Accounting Review, Contemporary Accounting Research, Review of Accounting Studies, Auditing: A Journal of Practice & Theory, 會計研究月刊, and 會計評論.
  - Note: XYZ Journal of Accounting Research (e.g., Asian Journal of Accounting Research) and Journal of Accounting Research XYZ (e.g., Journal of Accounting Research, Organization & Economics) do not count. Same for other journals.
- Midterm and final reports should be based on the same topic.
  - The midterm report should lay out at least one research question, discuss the related hypotheses, and the related research designs, including the sample selection and the research methods. Change either the sample or the regression methods of the original paper and explain why your change makes sense.
  - The final report should include the following elements: title, authors, abstract, research question(s) (from midterm report) or hypotheses development (from midterm report), research design (from midterm report), empirical results, conclusions, references, and tables (and figures, if any).
  - The empirical results must include your replication of one table in the original paper.
  - Both reports must include proper citations.
- Submit with the final report the programs and the minimum amount of data used to generate results. If the data is more than 10MB after compression, store the datasets on a google drive and share the link. The datasets and programs must be complete enough to allow 100% reproduction of your results.
- The midterm and final reports can be WORD or PDF. Regardless of the file format, you must include proper citations. Citation styles should follow the original paper.
- Page limit: Midterm report – up to 4 pages. Final report – up to 7 pages of text and 3 pages of tables.

**Tentative Schedule for Class Coverage (Subject to Change)**

Date	Topics/Papers
2/20	<b>Overview of the class; introduction of research tools</b>
2/27	<p><b>Overview of the auditing literature; Measurement of audit quality</b></p> <p>DeFond, M., Zhang, J., 2014. A review of archival auditing research. <i>Journal of Accounting and Economics</i> 58, 275-326.</p> <p>Aobdia, D., 2019. Do practitioner assessments agree with academic proxies for audit quality? Evidence from PCAOB and internal inspections. <i>Journal of Accounting and Economics</i> 67, 144-174.</p>
3/5	<p><b>Implicit implications of audit fees – efforts and risks</b></p> <p>Doogar, R., Sivadasan, P., Solomon, I., 2015. Audit fee residuals: Costs or rents? <i>Review of Accounting Studies</i> 20, 1247-1286.</p> <p>Beck, M.J., Mauldin, E.G., 2014. Who's Really in Charge? Audit Committee versus CFO Power and Audit Fees. <i>The Accounting Review</i> 89, 2057-2085.</p>
3/12	<p><b>Who would (not) demand higher audit quality?</b></p> <p>Cassell, C.A., Giroux, G.A., Myers, L.A., Omer, T.C., 2012. The Effect of Corporate Governance on Auditor-Client Realignments. <i>AUDITING: A Journal of Practice &amp; Theory</i> 31, 167-188.</p> <p>Cowle, E.N., Rowe, S.P., 2022. Don't Make Me Look Bad: How the Audit Market Penalizes Auditors for Doing Their Job. <i>The Accounting Review</i> 97, 205-226.</p>
3/19	<p><b>Audit committee and internal audit – never underestimate them</b></p> <p>Badolato, P.G., Donelson, D.C., Ege, M., 2014. Audit committee financial expertise and earnings management: The role of status. <i>Journal of Accounting and Economics</i> 58, 208-230.</p> <p>Lin, S., Pizzini, M., Vargus, M., Bardhan, I.R., 2011. The Role of the Internal Audit Function in the Disclosure of Material Weaknesses. <i>The Accounting Review</i> 86, 287-323.</p>
3/26	<p><b>Why/How auditors can increase audit quality? (additional assignment due)</b></p> <p>Reichelt, K.J., Wang, D., 2010. National and Office-Specific Measures of Auditor Industry Expertise and Effects on Audit Quality. <i>Journal of Accounting Research</i> 48, 647-686.</p> <p>Kaplan, S.E., Williams, D.D., 2013. Do Going Concern Audit Reports Protect Auditors from Litigation? A Simultaneous Equations Approach. <i>The Accounting Review</i> 88, 199-232.</p>

<b>Date</b>	<b>Topics/Papers</b>
4/2	<p><b>Individual audit partners' influence</b></p> <p>Chou, T.-K., J. A. Pittman, and Z. Zhuang. 2021. The Importance of Partner Narcissism to Audit Quality: Evidence from Taiwan. <i>The Accounting Review</i> 96 (6):103-127.</p> <p>Knechel, W. R., and D. Williams. 2023. The Effect of Client Industry Agglomerations on Auditor Industry Specialization. <i>Journal of Accounting Research</i> 61 (5):1771-1825.</p>
4/9	<p><b>Submit midterm report (no class)</b></p>
4/16	<p><b>Perceived threats to auditor independence – what, why, and really?</b></p> <p>Schmidt, J.J., 2012. Perceived Auditor Independence and Audit Litigation: The Role of Nonaudit Services Fees. <i>The Accounting Review</i> 87, 1033-1065.</p> <p>Singer, Z., Zhang, J., 2017. Auditor Tenure and the Timeliness of Misstatement Discovery. <i>The Accounting Review</i> 93, 315-338.</p> <p>Gipper, B., L. Hail, and C. Leuz. 2021. On the Economics of Mandatory Audit Partner Rotation and Tenure: Evidence from PCAOB Data. <i>The Accounting Review</i> 96 (2):303-331.</p>
4/23	<p><b>Quality at the audit firm level – that is why we have ISQM</b></p> <p>Singer, Z., Zhang, J., 2018. Auditor Tenure and the Timeliness of Misstatement Discovery. <i>The Accounting Review</i> 93, 315-338.</p> <p>Aobdia, D. 2020. The Economic Consequences of Audit Firms' Quality Control System Deficiencies. <i>Management Science</i> 66 (7):2883-2905.</p>
4/30-5/7	<p><b>Critical/Key audit matters – do they help?</b></p> <p>Gutierrez, E., M. Minutti-Meza, K. W. Tatum, and M. Vulcheva. 2018. Consequences of adopting an expanded auditor's report in the United Kingdom. <i>Review of Accounting Studies</i> 23 (4):1543-1587.</p> <p>Klevak, J., J. Livnat, D. Pei, and K. Suslava. 2023. Critical Audit Matters: Possible Market Misinterpretation. <i>Auditing: A Journal of Practice &amp; Theory</i> 42 (3):45-70.</p> <p>Li, D., L. Xing, and Y. Zhao. 2022. Does extended auditor disclosure deter managerial bad-news hoarding? Evidence from crash risk. <i>Journal of Corporate Finance</i> 76:102256.</p>
5/7-14	<p><b>ESG (CSR) reports – trending issues</b></p> <p>Cheng, M.M., Green, W.J., Ko, J.C.W., 2015. The Impact of Strategic Relevance and Assurance of Sustainability Indicators on Investors' Decisions. <i>AUDITING: A Journal of Practice &amp; Theory</i> 34, 131-162.</p> <p>Gipper, B., F. Sequeira, and S. X. Shi, 2023, Carbon Accounting Quality: Measurement and the Role of Assurance. Working paper, Stanford University.</p>
5/21	<p><b>Final presentations I</b></p>
5/28	<p><b>Final presentations II</b></p>

Date	Topics/Papers
6/4	Submit final report (no class)