

**Financial Statement Risk Assessment Following the COSO Framework:
An Instructional Case Study**

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ABSTRACT: Teaching students the fundamental and most critical aspects of performing a financial statement risk assessment is a skill vital to help ensure both auditor and public-company compliance with guidance found in the Sarbanes-Oxley Act of 2002 (SOX), the SEC's Interpretative Guidance regarding Management's Report on Internal Control over Financial Reporting, the Public Company Accounting Oversight Board's (PCAOB) control deficiency evaluation framework found in Auditing Standard No. 5 (AS5), and the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This instructional case helps students assess the impact of a set of hypothetical control deficiency risks in various industries, including inherent and residual financial statement risk assessment, and concludes with determining which identified internal control weaknesses are significant deficiencies and material weaknesses in internal control. Example entity-level and process-level controls described in COSO are included in the financial statement residual risk assessment process. Learning objectives, implementation guidance, and the efficacy of using the case study in the Accounting Information Systems course are also provided.

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Keywords: AS5, COSO; financial statement risk assessment; internal controls; PCAOB; Sarbanes-Oxley Act of 2002.

Data Availability: The data used in this study may be obtained by contacting the corresponding author.

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