

Smp	Smp Count Nbr	BoL Nbr	Bill of Lading Date	Inv Nbr	Inv Date	JE Nbr	JE Date	JE Amount	Invoice			Difference (AA - IA)	Attributes			Comments (Types of Misstatements)	Concl. Objective	
									Item	Qty	Unit		Invoice Amount (IA)	Invoice Unit	Invoice Qty			Credit Approved
1	196	299	12/7/04	199	12/17/04	204	12/17/04	\$2,000.00	28934	40	28934	40	\$2,000.00	Y	Y	Y	None	No misstatements.
2	11	111	1/12/04	111	1/12/04	11	1/12/04	\$1,200.00	28934	24	28934	24	\$1,200.00	Y	Y	Y	None	No misstatements.
3	24	124	2/14/04	24	2/14/04	25	2/14/04	\$1,200.00	28934	24	28934	24	\$1,200.00	Y	Y	Y	Internal Verification Process	Double shipment and billing for order #376.
4	37	137	3/14/04	137	3/14/04	39	3/14/04	\$1,000.00	42889	30	42889	30	\$2,800.00	Y	Y	Y	Accuracy	Invoice is overstated by \$1,000. Billing was not accurate.
5	50	150	3/27/04	50	3/27/04	52	3/27/04	\$1,000.00	12467	30	12467	30	\$0.00	Y	Y	Y	None	No misstatements.
6	83	183	4/22/04	83	4/22/04	85	4/22/04	\$1,500.00	73423	30	73423	30	\$0.00	Y	Y	Y	None	No misstatements.
7	76	176	5/16/04	76	5/16/04	78	5/16/04	\$3,450.00	73173	30	73173	30	\$0.00	Y	Y	Y	None	No misstatements.
8	89	189	6/7/04	89	6/7/04	92	6/7/04	\$2,600.00	20281	5	20281	5	\$1,000.00	Y	Y	Y	None	No misstatements.
9	102	202	7/16/04	102	7/16/04	105	7/16/04	\$3,500.00	91055	1	91055	1	\$1,500.00	Y	Y	Y	None	No misstatements.
10	115	215	7/29/04	115	7/29/04	118	7/29/04	\$6,000.00	91055	2	91055	2	\$0.00	Y	Y	Y	None	No misstatements.
11	128	228	8/12/04	128	8/12/04	131	8/12/04	\$4,500.00	41021	1	41021	1	\$0.00	Y	Y	Y	None	No misstatements.
12	141	241	9/18/04	141	9/18/04	145	9/18/04	\$8,000.00	28934	40	28934	40	\$0.00	Y	Y	Y	Accuracy	Qty on Inv and BoL were expressed in dollars (actual cost of items). Cost of items was switched with the quantity on both Inv and BoL and the quantity also had a dollar sign in front of the number of items. No accurate billing.
13	154	256	10/6/04	155	10/6/04	155	10/6/04	\$11,000.00	22415	50	22415	50	\$0.00	Y	Y	Y	Accuracy	Auditor's amount does not equal Invoice amount. No accuracy in billing.
14	167	267	11/15/04	167	11/15/04	171	11/15/04	\$1,300.00	72845	1	72845	1	\$0.00	Y	Y	Y	Internal Verification Process	Items numbers 65480 and 98720 are not posted in the master file price list, which is a sign of weak internal verification process.
15	180	280	11/28/04	180	11/28/04	184	11/28/04	\$2,000.00	41021	2	41021	2	\$0.00	Y	Y	Y	None	No misstatements.
									Total			\$3,000.00				\$3,000.00	Accuracy	

Key Existing Controls: 1. Bills of Lading are prenumbered, 2. Batch totals of quantities shipped equal quantities billed.

Test of Controls: 1. Account for a sequence of shipping documents, (doesn't fit in our sampling case) 2. Examine invoice for credit approval and independent verification.

Sampling: Total Number of Bills of Lading 201
 Divided by the number of Random Samples 15
 Equals the interval for Sampling (rounded down) 13

Random Starting Point is 199
 Random starting point is randomly generated by the random number generator at <http://www.mdsandelman.com.uk/pars/random.htm>
 (Only one number was generated between 1 and 201.)

Maturity level = 5% Total Completeness Misstatements in the Sample 0
 Total Number of Samples 15
 Percentage of Misstatements in the Sample 0.00%
 Based on our sampling, no deficiency concerning completeness should exist in the population.
 Since our results show any completeness concerns in the picked sample, then there is no significant deficiency in the existence objective.

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Audit Program

Existence

Substantive test

- 1. Select a random sample of 12 journal entries and trace them to the supporting Bill of Lading (BOL) and the related invoice. All invoices must be tested for accuracy.

↑
Invoice number

JE → Invoice → BOL

Test of Controls

- 1. Examine invoices for evidence of Credit approval (you may do this step when you test your invoices for accuracy)
- 2. Examine BOL for proper authorization

Completeness

Substantive test

- 1. Select a random sample of 12 BOLs and trace them to the related invoice and related journal entry. All invoices must be tested for accuracy.

BOL → Invoice → JE

Test of Controls

- 2. Select a random date. Beginning with the random date and for a 1 month period, scan the BOL file to account for the sequence of BOLs by searching for missing numbers in the sequence. Note any unusual items.

Accuracy

- 1. Select a sample of 12 invoices to bring your total invoices to 36. Trace the 12 selected invoices to the related BOL and related Journal Entry.
- 2. Recalculate prices and extensions on all invoices using the master price list
- 3. Examine invoices for proper credit approval and independent verification
- 4. Compare quantity billed on invoices with quantity shipped on BOL
- 5. Examine BOL for authorization

Timing

- 1. Select a time period at end of year (last 15 days) and compare date of recording on sales journal, with the date on the Sales invoice and BOL.

Materiality

Audit Project Instructions

AXP Sporting Goods Inc. is expanding their market and is buying small sporting good distributors in the Midwest to establish market presence in order to compete with Sports Authority, and Dicks Sporting Goods. AXP plans on going public in two years.

The Feature company is for sale. According to the management team, the Feature Company is expected to generate Net Income in excess of \$357,000 for each of the next five years. The owner believes that the fair value of his company is \$2,267,966 and the current cost of capital is 12%. AXP is considering buying this local distributor because it allows them access to the local market.

You have been assigned the responsibility to audit the Sales per amount as reported on the Income Statement for the Feature Company for the year ended December 31, 20XX. Based on the results of your audit, and recommendations you make, the acquisition team of AXP will make the final decision.

Project Environment

There are inherent limitations on what audit evidence you can collect and which audit procedures you can perform due to the nature and limitations of the files in this audit simulation, but there are enough attributes and internal controls which you can test to simulate an actual audit.

Note: You must use sampling. You will not receive credit for the project if you do not use sampling. Your results will be obvious.

Required:

Individual Portion Due March 4, 2014

1. Establish a Materiality Level for your audit
2. Develop your sampling plan
3. Conduct audit of transactions
4. Document results of your audit

Due April 8, 2014

5. Prepare presentation to Audit Committee in memo format
 - a. results of audit
 - b. Accept or reject the sales amount reported on the income statement why/why not
 - c. recommendations to improve internal controls
 - d. other recommendations to management

