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Auditing Accounts Receivable and Allowance for Doubtful Accounts at Cardinal Corporation

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Abstract

The audit of accounts receivable can be complex with numerous issues for an audit engagement team. In this simulation/case, students are exposed to various issues as they audit Cardinal Corporation. Students assume the role of an experienced associate auditor heading into her second busy season as she leads the fieldwork for accounts receivable and allowance for doubtful accounts. The case provides the accounts receivable audit program; students complete each step and select samples with a focus around the aging of accounts receivable analysis test for allowance for doubtful accounts. Work papers such as confirmations, invoices and bills of lading have been prepared and a detailed rubric is available. The simulation is unique, allowing for role playing and different outcomes based on sample selection. The case has been used repeatedly with staff of a global leading professional services firm, with affirmation of its efficacy.

Keywords: Accounts Receivable, Allowance for Doubtful Accounts, Professional Judgment, Audit Procedures, Accounts Receivable Confirmations, Sample Selection, Documentation

Introduction

Auditing is complex, ambiguous, and often results in more than one right outcome (Beattie, Fearnley and Hines 2012; Dennis 2003). Accordingly, more than just learning the theory of audit methodology is needed to master the topic of auditing. As a result, there is an abundance of literature that discusses the value of cases and simulations as a vehicle to minimize the gap between knowledge versus application within accounting education (Boyce, Williams, Kelly, and Yee 2001; Drake 2011; Healy and McCutcheon, 2010; Montaño, Anes, Hassall and Joyce 2001). Employers expect recent graduates to know how to apply audit methodology rather than just knowing the theory (Dombrowski 1993). The use of audit case studies provides students with an opportunity to focus on actively applying auditing concepts/methodology through work papers and testing audit assertions. Case studies can also provide students with the opportunity to foster professional judgment, analytical skills and the ability to analyze alternatives through research in order to implement value-added decisions.

Cardinal Corporation has procedural-based elements as well as issues-based elements to foster student development of core skills needed in accounting: professional judgement, research skills, measurement analysis, problem solving and decision making, risk analysis and communication (AICPA 2018). Students must foster a skill set rather than just mastery of knowledge to have long-term value in an ever-changing discipline (AICPA 2018). Understanding auditing theory helps ground students' audit methodology; however, they also need to know how to apply the theory. Thus, the case focuses not only on the application of auditing procedures, but students are also challenged at the highest level of Bloom's Taxonomy when they are asked to propose auditing adjustments to management. The goal of the case is to help move students from the lowest cognitive domain of remembering knowledge to the highest cognitive level of creation (Anderson et al. 2001).

Accounts Receivable (AR) is tested extensively in most audits due to the nature of the account. Associates are typically responsible for testing this area which was one of the driving forces behind creating a holistic simulation case. Cardinal Corporation contributes to the existing literature by providing students with the opportunity to perform the role of a practitioner for AR. Exposure to a realistic audit program and work papers will help students be better prepared for industry work.

Finally, after conducting a literature review for similar cases that focus on the audit of accounts receivable, only six cases were identified (Andiola, Lambert, and Lynch 2018; Ashbaugh and Johnstone 2000; Blix, Blix, Edmonds and Keenan 2019; D'Aquila and Capriotti 2011; Edmonds, Miller and Savage 2019; Hogan, Bierstaker, and Seltz 2001). Of these cases, only Blix et al. (2019) focuses on a comprehensive year-end substantive testing of accounts receivable. Even though the cases have some similar features, there are significant differences due to the role playing, sampling aspects, and preliminary and final analytics included within Cardinal Corporation. Here, students are required to haphazardly select samples for confirmation testing and additional substantive testing. The different sample selections will ultimately lead to different outcomes. Students are also asked to identify implausible relationships and risk areas using analytical procedures. The remaining five cases focus on aspects of the accounts receivable audit rather than providing a comprehensive year-end substantive testing program. For example, Andiola et al (2018) focuses on clearing review notes, Ashbaugh and Johnstone (2000) focuses on accounts receivable valuation, D'Aquila and Capriotti (2011) focuses on measuring professional skepticism, Edmonds et al. (2019) focuses on confirming accounts receivable and Hogan et al. (2001) focuses on testing accounts receivable investments. Furthermore, Cardinal Corporation has been tested with professionals by a global leading professional services firm specializing in accounting, advisory, technology, and managed services. The fact that the case has been used for three consecutive years as part of an audit training program, developing approximately 80 associates per year, affirms the uniqueness of the pedagogical tool, and its value.

Purpose of Exercise

The purpose of Cardinal Corporation is multifaceted. First, the case study provides students with an opportunity to take on an audit role. Within this role, students are asked to complete audit procedures and provide recommendations to management based on their findings. Students are also exposed to the importance of the auditor/client relationships within an audit. Existing literature argues that students' understanding of audit needs to include an appreciation of the auditor/client relationship as intrinsic to the practice of audit (Maltby 2001).

Second, students are exposed to the importance of professional judgement and ambiguity within auditing. Cardinal Corporation highlights that auditing is very subjective. Within the case each team is asked to select its own sample. Since not every team will have the same selection, the case demonstrates to students that there is not one right answer. Depending upon the sample, each group may come across different audit adjustments.

Thirdly, the case highlights that, depending on the audit procedures performed, different adjustments may ensue. For example, an account may appear reasonably stated during the confirmation testing and allowance for doubtful accounts bucket analysis; however, once students look at the account from a different angle through cut-off testing, they will realize the sale was recorded early. This lends itself nicely to conversations regarding testing the different audit assertions.

Finally, the case will expose students to the importance of working effectively within teams. If students break the case up into sections and each student completes a part without communicating, the team will miss audit issues. It is important that the students work collaboratively throughout the case.

Cardinal Corporation Accounts Receivable Case Study

Learning Objectives

- 1. Identify characteristics of and differences between positive, negative and blank confirmations and when each type should be used.
- 2. Describe when it is appropriate not to send accounts receivable confirmations and identify the other procedures to be applied to gain comfort over the accounts receivable balance.
- 3. Describe the auditor's control of the accounts receivable confirmation process.
- 4. Distinguish between haphazard versus random sample selections.
- 5. Perform an audit of accounts receivable and allowance for doubtful accounts focusing on an aging of accounts receivable analysis test.
- 6. Complete audit documentation surrounding auditing procedures, evidence obtained, and conclusions reached.
- 7. Determine and propose audit adjustments to management.
- 8. Research and apply Statements on Auditing Standards (SAS) applicable to the case.
- 9. Work effectively in teams.

The case to be distributed to students is located in Appendix A.

Intended Course and Audience

Based on the instructor's experience with the case in undergraduate auditing classes, the author believes the case works best when completed in groups of three, with time being spent working on the case both in and outside of the classroom. By having students work in groups, the students can better identify the various audit adjustments within the case and document their work in a more clear and concise manner. On average, it takes each group approximately five to seven hours depending upon their audit experience or lack thereof to complete the case out of class in addition to the time spent in-class.

Implementation Guidance

Approximately four hours of in-class time is utilized to introduce the case, role play and coach students through the audit program and complete a debriefing. Fifteen minutes is utilized to introduce the students to the case. Another three hours of in-class time is utilized to coach the students; however, this can be shortened based on available time. The in-class time has been allocated over a two-week period to allow touch points throughout the case. Depending upon class format and structure, you can either use parts of a class as lab time or an entire class period. An additional 45-minute debriefing session is typically done at the end of the case.

The instructor plays three roles in the case. First, the instructor takes on the role of an audit manager to assist students completing the audit program. Students are expected to approach and ask questions as if they were in industry. In the second role in which the instructor is a surrogate for client management, students are expected to ask for specific invoices and bills of lading depending upon their sample selection. Lastly, the instructor takes on the role of various customers for the confirmation process. The idea behind the various interactions is to coach students on how to organize and articulate their questions effectively. Students are only provided with documents or

advice based upon what they ask. Students found value in this step and commented on the qualitative survey that their favorite aspect of the case was "requesting/obtaining information from the client" and "liked that they didn't get it [documents] all in a packet." This step requires students to begin to learn the importance of communication and how to interact with management.

All confirmations, invoices and bills of lading have been provided within the teaching note. All students should select account balances greater than \$4,000 (mandatory sample) to confirm. Each group will then haphazardly select three additional accounts to confirm (sample selection). The case has five accounts with balances below \$4,000 which will leave 2 accounts not selected within the sample. By giving the students the opportunity to select their sample, this will force different outcomes/issues. Many students commented that they valued the "freedom to make their own choices" within the case. To help ease logistics, the instructor can have one PDF work paper file of all mandatory sample selections to disseminate via email, post to a learning management system or distribute hard copies during class. However, this is assuming the groups appropriately request the work papers that are needed. If this is done correctly, the instructor will only need to coordinate files for the sample selection portion.

For Step 4 within the audit program (see Appendix A), students will use the same sample they selected for confirmations – Step 2. The author has suggested to groups to make both their confirmation request and invoice and bills of lading request at the same time. After the students select their sample and obtain their requested documents, they can then go back and work through the testing. Additionally, if in-class time is limited, this will allow for a quick and efficient manner to distribute requested work papers and still allow for role-playing.

When students are requesting their confirmations, invoices and bills of lading, it is helpful when the groups identify the two accounts that are not selected within their sample. Knowing the two accounts the group did not select will allow the instructor to either quickly delete the respective confirmations, invoices and bills of lading from the sample selection PDF file provided to all adopters or pull the printed documents quickly from the sample selection file. This tip will significantly cut down on time coordinating files between teams.

Approximately 45 minutes is used during class to discuss the case in-depth after the students have completed the case. It is recommended that each group present the proposed audit adjustments along with the rationale and support for each adjustment. By taking time to share the various errors noted and the rationale for the subjective allowance for doubtful accounts adjustment, the students begin to understand the importance of professional judgment and the need to document and support their recommendations. Allowing each team to select part of the sample also reduces students' ability to share answers among teams. Additionally, to help foster engagement during the debriefing session, the author has each group take the lead on discussing an assigned case question.

As an alternative to an informal debriefing session, the instructor can elect to role play a real audit meeting with the audit committee. The instructor can require each group to discuss various items including the following:

- Auditor's responsibility
- Audit findings adjustments, rationale, and support for each adjustment
- Any difficulties students had with the client (The instructor teaching the class can choose to interact with teams differently to illustrate a hostile client, a difficult client or a client that is receptive to the auditors.)
- Suggestions for areas of improvement

Student teams should be prepared to answer questions at the end of their presentation related to but not limited to their audit procedures, methodology and overall findings. These questions are

different than the assigned questions at the end of the case. If it is possible to bring in professionals during this role-playing activity, this will increase the quality of the presentation and learning experience. If professionals are not able to attend in-person, one could also set-up a virtual meeting through various platforms to simulate the remote workforce. Since this task is an optional add-on, it is not included within the provided rubric.

The case is implemented after covering the revenue and collection cycle. Through the qualitative feedback provided by the students, they affirmed the case was placed appropriately. One student stated, "Don't move it to the end. I needed to struggle through the audit process to gain a better understanding of the process. It helped me through the remainder of the course." However, it is important to note that since the case highlights numerous aspects of auditing, the case could also be broken down and used in conjunction with discussions around planning analytics, sampling, and professional judgment.

The case could also be used in a graduate auditing course; however, the author would suggest assigning the case for graduate students in teams of two and offering less in-class coaching to challenge them at a higher level. Additional discussions around sampling and sampling risk could also be added.

Instructors can post to a course management system an electronic copy of invoices and bills of lading for students to download to eliminate printing paper copies. However, the instructor would need to post these documents after the students provided their sample selection to maintain the simulation of students requesting documents from the client. This method is more realistic with audits predominately being paperless.

The project is worth 12 percent of the students' overall grade; however, this can vary significantly depending upon the instructor. The rubric will be provided to all adopters in excel format so one can tailor the resource.

Abbreviations Used within the Case, Sample Work Papers and Case Resources

Exhibit 1 provides a list of abbreviations used throughout the case and Exhibit 2 provides sample documents (completed AR confirmation, invoice and bill of lading) specific to one customer within the case. Exhibit 3 is a summary of student deliverables. To assist with faculty operationalization of the case, a list of materials of all the documents within the case and which documents are distributed to students and how each document is used is provided in Exhibit 4. Exhibit 5 provides a start to finish case schedule. Instructors will need to request the Word and Excel files from the author if they decide to adopt the case.

Exhibit 1: Abbreviations used within Cas	Exl	hibit	1:	Abbr	eviations	used	within	Case
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The author has used the following year-end abbreviations throughout the case:							
12/31/XXPY This represents 12/31/Prior Year Balance							
	1						
12/31/XXCY	This represents 12/31/Current Year under Audit Balance. The students are auditing the 12/31/XXCY numbers.						
1/15/XXFY	1/15/XXFY This represents 12/31/Future Year (Year after Audited Year-End) Balance. Future numbers are						
	provided for cut-off purposes, i.e. cut-off bank statement and abbreviated sales journal.						
The author has	used the following additional abbreviations throughout the case:						
AR	Accounts Receivable						
ADA	Allowance for Doubtful Accounts						
BDE	Bad Debt Expense						
NRV	Net Realizable Value						

Exhibit 2: Sample Work Papers

Cardinal Corporation	Card	inalCorporat. Aurora Road n, IL 60666	ion		Ві	ill of La	din	g
1508 West Aurora Road Carol Stream, IL 60666						N).:	208
January 14, 20FY		FROM			0	то		
en albeit e activa	Name	Cardinal Corporation		Name Company	Cardinal Cr Cardinal Cr			
Cardinal Crazies 3236 Lawrence Av.				Street	3236 Lawre			
Carol Stream, IL 60666	Date Dept	12/9/20CY Sales	Acct 22	City, Stat	e Carol Strea 60666			
Attn: Accounts Payable Dept.	Борг	Cass	700t EE	Ep 0000	00000			
	Number		f Package, on of Articles,	Weight (Subject				
Due to our annual audit, please complete the bottom portion of this letter and return the entire letter to	Packages		, and Exceptions	to Chang		Serial	Numbers	
our auditors, Lureau & Partners LLP, PO Box 2353, Naperville, IL 60564.	1 1	Face Shields Style 1		65 Lbs			_	
Our records indicate your balance with Cardinal Corporation as of December 31, 20CY amounted to								
\$21,124. If this is correct, please sign and date this confirmation letter below and return it directly to							+	
our auditors in the enclosed envelope.								
If this balance is incorrect, please note the difference and if possible explain what the difference may be								
attributable to and return the letter directly to our auditors in the enclosed envelope.								
attroutable to and retain the letter directly to our additional in the enclosed efficience.	Check One	Shippin	g Instructions Payment		Method	For Shipp	ing Use Only Date	
Note this is not a request for payment. Please do not send your remittance to our auditors.		Next Day Second Day		nipper scipient	Bill No. Ship. Cost		Shipped Dept. Ch	
Your prompt attention to this request will be appreciated.		X Routine	п	on Party DD Amt Due	Grap. Cost		рерг. Сп	90
Sydney Lewis	Delivered by	UPS			Date	12/12/20CY		
	Received by COMMENTS	Cardinal Crazies			Date	12/12/20CY	# Boxes	
Sydney Lewis, Controller								
		Corporation					IN	IVOICE
The balance due to Cardinal Corporation as of December 31, 2001, is \$21,124.		st Aurora Road						
This balance is correct except as noted below:	Carol Stre	eam, IL 60666						
The above balance agrees with our records.								
	Bill to:	Cardinal Cra	ızies			Invoi	se #:	29
Minute Control of the		3236 Lawre	nce Ave.			Invoice [)ate:	12/9/20CY
Date: 1/22/2074 By: <u>Laura Hudson</u>		Carol Stream	n, IL 60666	5		Due [)ate:	1/9/20FY
Title: Accounts Payable	Item		Description	on	Unit Pr	ice Quai	ntity	Amount
~	6	Face Shields			211.2			\$ 21,124.00
	J	. acc c.neid.				. 10	-	

Customer #: 21195

Evh	ihit	2.	Summary	of Stu	dont I	Jalizzaral	alac
H.Xn	INIT .	.):	Silmmary	OT STIL	aent i	Jenverai	Mec

Student	Student Deliverable Description	Rubric Link
Deliverables		
Memo 1	Memo 1 includes the student responses to questions 1-4.	Item 1-4 on Rubric
		Professional/Formatting Item 10
Working	Question 5 case requirements: Completed Audit	Item 5-8 on Rubric
Papers	Program, AR Lead Schedule, AR Detail with Aging	Professional/Formatting Item 10
	Analysis, Abbreviated GL, Cutoff Bank Statement,	
	Abbreviated Sales Journal, Cash Receipts Journal, AR	
	Analysis, Completed Confirmation Log, Invoices, Bills	
	of Lading, AR Confirmations	
Memo 2	Memo 2 includes the student response to question 6.	Item 9 on Rubric
		Professional/Formatting Item 10

\$ 21,124.00 \$ 21,124.00

\$ 21,124.00

Subtotal Total

Amount Paid
Balance Due

Exhibit 4: Summary of Case Resources

Document Name	Distribution Comments	Utilization of Document
Cardinal Corp.	Provide to students at the start of the project. The simulation to	Main documents used
Simulation	be handed out to students is located in Appendix A.	throughout the case.
		Students should request
		Excel copies of the work
		papers and audit program from their Instructor.
Cardinal Corp.	Provide upon request.	Students should request the
Audit Program –	Trovide upon request.	Excel format from their
Case Students	This is the first instance of role playing in the case. The instructor	instructor to increase
(Excel Version)	plays the role of audit manager in providing an electronic copy of	professionalism and
	the audit program.	efficiencies on documenting
Cardinal Corp.	Provide to students upon request.	their audit procedures and
Work Papers		conclusions – Step 1-10
Students (Excel	This is the second instance of role playing within the case. The	within the audit program.
Version)	instructor is required to role play the client in providing electronic	WI D
	copies of the work papers.	*Note: Document names
		correspond to what is distributed to instructors
Cardinal Corp. AR	Provide once the students have selected and requested their	Used during the
Confirmation	sample.	confirmation testing audit
		procedure – Step 2 within
	12 confirmations have been provided for the 15 customers.	the audit program.
	Purposefully, 3 customers do not return their confirmations; thus,	
	I have not provided these three for distribution. Depending upon	
	the groups' sample selection, this will dictate how many	
	confirmations each group will receive.	
	This is the third instance of role playing within the case. The	
	instructor is required to role play customers in providing signed	
	confirmations.	
Cardinal Corp.	Provide to students once the students have selected and requested	Students will utilize
Invoices and Bills	their sample. Invoices and bills of lading are provided for all	invoices and bills of lading
of Lading	accounts.	during steps 2, 3 and 6
	This is the fourth instance of role playing within the case. The	within the audit program.
	This is the fourth instance of role playing within the case. The instructor is required to role play the client in providing invoices	
	and bills of lading.	
Cardinal Corp.	Detailed teaching note is for the instructor only. This document	Utilized by the instructor to
Teaching Note	should never be distributed to students.	assist with grading and
Cardinal Corp. AR	The rubric is to assist with the grading process. The rubric can be	implementation of the case.
Rubric Template	distributed to the students at the beginning or end of the project.	

Exhibit 5: Start to Finish Case Schedule

L'Ambit 5. Start to	I mish cuse semeatic	
Items to be	Timing	Tips
Distributed /	_	_
Deliverables		
Case Study and	Start of Case. Assign the case	After students have had a chance to read the case, the author
Initial Documents	after covering the revenue	suggests taking 10-15 minutes walking students through the
(Items included	and collection cycle.	case study and discussing expectations and deliverables.
within Appendix A)	-	

Excel Documents	Beginning of Case study after teams request the Excel version.	After audit teams request the documents and audit program in Excel format, the instructor can email/post the files to a learning management system. Students should specifically state which document they want in order to practice formulating a request list. Try to only provide documents the students have requested.
Confirmation Selection	Ideally this section is completed during class for role playing purposes. If not, students can email request or stop by during office hours. Step 2 in audit program.	Groups will perform alternative procedures on accounts that do not reply or had discrepancies noted on the positive confirmation. The instructor should encourage students to select their confirmations, invoices and bills of lading sample (Step 2 and
Invoices & Bills of Lading Part 1 – Alternative procedures	Upon completion of confirmation testing. Step 3 in audit program. Ideally the selection of work papers will	4) at the same time. It typically takes the instructor 5-10 minutes per group to coordinate all selected documents. The author has typically allocated three hours of in-class time
Invoices & Bills of Lading Part 2 – Bucket Analysis	occur during class time. Step 4 in audit program. Ideally the selection of work papers will occur during class time.	to the case in addition to the fifteen-minute introduction to the case and forty-five-minute debriefing session. The in-class time is allocated to providing requested documents and work papers to the groups and assisting students with the case. Depending upon the term and time restrictions, in-class lab time can be cut to an hour.
Case Submission: Memo 1, Work Papers & Memo 2	End of Case. It is recommended to give students a minimum of two weeks to work through the case.	Request all documents to be submitted in electronic format. Encourage students to document within the PDF to simulate the paperless/remote workforce.
Audit Adjustment Presentation & Debriefing Session	Upon completion of case study.	The author uses approximately 45 minutes during class to discuss the case; however, time allocated to this portion is dependent upon the instructor.
Audit Committee Simulation	Optional – Add on	If time allows, the instructor can provide each group 10-15 minutes to discuss their audit adjustments and any difficulties they had with the client. This works best when the instructor acts differently among the teams to simulate different audit situations. This will also assist with keeping the attention of all during these presentations as new experiences will be shared. Upon completion of the audit committee meetings, the instructor can lead a discussion around how best to rectify difficult situations with management.

Suggested Solutions

The solutions, work papers and Excel files are available upon request from the author at sslureau@noctrl.edu. Detailed solutions and fully documented work papers will be provided for all possible samples. The author has created a rubric, Exhibit 6, to assist with the assessment of the project. The rubric will expedite grading and provide students with feedback to enhance the learning process. A team contribution rubric is also available to help assess collaborative teamwork. Adopters will receive these rubrics in Excel and word format to allow for modification.

Assessment of Learning Objectives

Upon completion of the case study, students were asked to fill out an anonymous survey regarding the effectiveness and usefulness of the case. The survey was mapped to the learning objectives. Of the 136 students who took their first auditing course with the author from 2014 through 2017 and Fall of 2019, 85 students chose to complete the twenty-four-question survey (a

62.5% response rate). Students were asked to indicate their level of agreement regarding the perceived effectiveness of the case. A five-point Likert-type scale was used with 1 - *Strongly* Disagree, 2 - Disagree, 3 - Neither Agree nor Disagree, 4 - Agree and 5 - *Strongly* Agree. The mean, standard deviation, and mean differences from the survey's midpoint of 3 were calculated along with the lower confidence interval using a 99 percent confidence level, reported in Table 1. A confidence interval generates a lower and upper limit for the mean. The intervals help measure preciseness and estimation uncertainty. The smaller the interval, the greater certainty there is within the estimate. The lower CI is provided within the table rather than upper CI to illustrate that even when adjusting the calculated mean downward, the results were still statistically significant. The student survey instruments were adapted from Morrow and Stinson (2016), Blazovich, Huston and Huston (2014), Huston and Huston (2013), Bagley and Harp (2012), and Sonnier (2010).

Overall, the students reacted positively to the case and felt that it provided an opportunity to apply their audit knowledge to a real-life scenario. For the eighteen quantitative questions that were asked, the mean response fell between (5) *strongly* agree and (4) agree, except for one question related to familiarizing student knowledge of past fraud cases revolving around accounts receivable. The final quantitative question asked the students to provide an overall rating of the case. The mean response fell between (5) excellent and (4) good which substantiates the overall positive response received from the students. All the responses in Table 1 have statistically significant student agreement relative to the neutral point of 3. Even as presented in the "Lower CI" column, all questions show responses above the neutral point (indicating agreement with the statement) in a 99 percent confidence interval. The overall results reinforce the fact that students felt the case was effective and a valuable part of their learning experience.

Table 1 provides a snapshot of the student assessment of the case study. The full set of data, the results of the student comments and the survey instrument can be made available upon request. Due to the significant amount of feedback, student comments have not been included except for a few sprinkled throughout the paper. In summary, students enjoyed having a hands-on audit where they could apply audit methodology. Students enjoyed the freedom to select their sample and the hands-on experience with work papers and interacting with management in the simulated environment.

Furthermore, the case was utilized in a global leading professional services firm specializing in accounting, advisory, technology, and managed services. A slightly modified version of the case was piloted in the Firm's audit level training program with great success. Since then, the firm has used the case the last three years to teach staff how to audit accounts receivable. The new staff accountants appreciated the hands-on case and the ability to learn within a simulated environment. In the post training evaluation, one staff accountant wrote, "I really benefited from doing an indepth example of accounts receivable. I'm on my first financial engagement and that's the area I was currently working in. It gave me the confidence I needed to complete my work." The post training evaluation was modified to meet the needs of the firm; however, the same statistical approach was used. In 2019, 82 associates were surveyed to identify whether or not they could implement lessons learned on their engagement team. Of the 82 associates that were asked to complete the survey, 63 chose to respond; i.e., a 76.8% response rate. When asked whether they could implement lessons learned on their engagements, 100% of the associates who completed the survey affirmed (80.49% strongly agree; 19.51% agreed). The continued case use at a global leading professional services firm for multiple years and attestation by associates of lessons learned affirms case efficacy.

Auditing Accounts Receivable and Allowance for Doubtful Accounts

Exhibit 6: Rubric

					ivable & Allowance for Doubtful Ac				1
	Group:								
	Total Points		65.0						
				Poor	Fair	Good	Strong	Raw	Weighte
		Weight	Points	0-4	>= 5 and < 7	>= 7 and < 9	9-10	Score	Score
1	Confirmation Types: Memo	2.0%	1.30	Memo fails to adequately identify	Memo fails to adequately identify	Memo largely identifies the	Memo identifies and explains the		
	Learning Objective 1 & 8			and explain the differences between	and explain the differences between	differences between positive,	differences between positive,		
				positive, negative and blank	positive, negative and blank	negative and blank confirmations but	negative and blank confirmations in		
				confirmations. Student does not	confirmations. Student references	lacks details. Student references	full detail. Student references		
				reference appropriate auditing	appropriate auditing standard.	appropriate auditing standard.	appropriate auditing standard.		
		2.0%	1.30	standard. Memo fails to adequately identify		Memo identifies and explain when	Memo identifies and explains when		
		2.0 /6	1.50	and explain when each type of		each type of confirmation should be	each type of confirmation should be		
				confirmation should be used.		used but lacks detail.	used in depth.		
2	Standards for Account	3.0%	1.95	Memo fails to address when it is not	Memo fails to address when it is not	Memo largely identifies when it is	Memo addresses when it is not		
	Receivable Confirmations and			appropriate to send accounts	appropriate to send accounts	not appropriate to send accounts	appropriate to send accounts		
	Alternative Procedure			receivable confirmations. Student	receivable confirmations. Student	receivable confirmations but lacks	receivable confirmations in full		
	Discussion			does not reference appropriate	references appropriate auditing	detail. Student references	detail. Student references		
	Learning Objective 2 & 8			auditing standard.	standard.	appropriate auditing standard.	appropriate auditing standard.		
		2.0%	1.30	Memo fails to address alternative			Memo identifies alternative		
				procedures to audit accounts			procedures to audit accounts		
				receivables balances.			receivables balances in full detail.		
3	Control of Confirmation	3.0%	1.95	Memo fails to address what it means	Memo fails to address what it means	Memo largely identifies what it	Memo addresses what it means to		
	Process Discussion			to maintain control of the accounts	to maintain control of the accounts	means to maintain control of the	maintain control of the accounts		
	Learning Objective 3 & 8			receivable process. Student does	receivable process. Student	accounts receivable process but	receivable process in sufficient		
				not reference appropriate auditing	references appropriate auditing	lacks detail. Student references	detail. Student references		
	H-11616'	4.007	2.00	standard.	standard.	appropriate auditing standard.	appropriate auditing standard.		
4	Haphazard Sample Selection	4.0%	2.60	Memo fails to addresses the	Memo fails to addresses the	Memo addresses the difference	Memo addresses the difference		
	Discussion			difference between haphazard	difference between haphazard sample selection and random sample	between haphazard sample selection	between haphazard sample selection		
	Learning Objective 4 & 8			sample selection and random sample selection. Student does not	sample selection and random sample selection. Student references	and random sample selection but	and random sample selection in-		
				reference appropriate auditing	appropriate auditing standard.	lacks detail. Student references appropriate auditing standard.	depth. Student references appropriate auditing standard.		
				standard.	appropriate auditing standard.	appropriate auditing standard.	appropriate auditing standard.		
5	Confirmation Log Work	6.0%	3.90	Students fail to appropriately select			Students appropriately select their		
	Paper	0.070	3.50	their sample selection for AR			sample selection for AR		
	Learning Objective 5, 6 & 7			confirmations.			confirmations.		
	Zem ming objective o, v ce /	6.0%	3.90	Students fail to identify		Students identify some errors/issues	Students identify all errors/issues		
		,.		errors/issues within the		within the confirmation testing, but	within the confirmation testing.		
				confirmation testing.		not all.			
		6.0%	3.90	Students fail to appropriately		Students document some of their	Students appropriately document		
				document their results and		results and conclusions reached.	their results and conclusions reached		
				conclusions reached.		The documentation lacks detail.	in depth.		
6	AR Detail with Aging Work	12.5%	8.13	Students fail to identify		Students identify some errors/issues	Students identify all errors/issues		
	Paper			errors/issues within the "AR Bucket"		within the "AR Bucket" testing, but	within the "AR Bucket" testing.		
	Learning Objective 5, 6 & 7			testing.		not all.			
		12.5%	8.13	Students fail to appropriately		Students document some of their	Students appropriately document		
				document their results and		results and conclusions reached.	their results and conclusions reached		
_	int idi ii	- nn/	2.25	conclusions reached.		The documentation lacks detail.	in-depth.		
7	AR Lead Schedule	5.0%	3.25	Students fail to identify and record		Students identify and record some of	Students identify and record all		
	Learning Objective 6			all adjusting entries on the AR Lead Schedule.		the adjusting entries on the AR Lead Schedule, but not all.	adjusting entries on the AR Lead Schedule.		
		6.0%	3.90	Students fail to appropriately		Students document and tickmark	Students appropriately document and		
		0.076	3.90	document and tickmark the AR Lead		parts of the AR Lead Schedule. The	tickmark the entire AR Lead		
				Schedule.		documentation lacks detail.	Schedule.		
8	Supporting Work Papers	6.0%	3.90	Students fail to include all		Students include some supporting	Students include all supporting work		i e
-	Learning Objective 6	,.		supporting work papers within the		work papers within the audit	papers within the audit program.		
		L	L	audit program.		program, but not all.			<u></u>
		6.0%	3.90	Students fail to document, tickmark		Students document, tickmark and	Students appropriately document,		
		l	l	and reference all supporting work		reference some of the supporting	tickmark and reference all		
		l	l	papers within the audit program.		work papers within the audit	supporting work papers within the		
						program, but not all.	audit program.		ļ
9	Identification of Past	2.0%	1.30	Students fail to identify and describe		Students identify and describe a past	Students identify and describe a past		
	Fraudulent Cases	l	l	a past real-life fraudulent act		real-life fraudulent act revolving	real-life fraudulent act revolving		
				revolving around accounts		around accounts receivables,	around accounts receivables,		
				receivables, allowance for doubtful		allowance for doubtful accounts	allowance for doubtful accounts		
				accounts and/or the accounts		and/or the accounts receivable	and/or the accounts receivable		
				receivable confirmation process.		confirmation process but lack	confirmation process.		
0	Professionalism / Formats	2.0%	1.30	Case was not submitted on a timely		details.	Cosa analysis uns sub-sitt-d		1
U	1 1 ofessionarism / Formats	2.0%	1.30	basis.			Case analysis was submitted on a timely basis.		
		4.0%	2.60	Case documentation and supporting		Case documentation and supporting	Case documentation and supporting		
		7.070	2.00	work-paper are not well-formatted.		work-paper are largely well-	work-paper are professionally-		
		l	l	paper are not well-formatted.		formatted but lack some detail and	formatted.		
		l	l			professionalism.			
		4.0%	2.60	Case analysis was prepared with		Case analysis was prepared with	Case analysis was prepared		t
				numerous typographical errors, poor		minimal typographical errors, fair	professionally with minimal		
		l	l	grammar, poor readability and poor		grammar, fair readability and fair	typographical errors, good grammar,		
				formats.		formats.	good readability and good formats.		
	Collaboration/Teamwork	6.0%	3.90	Did not work effectively in teams	Student sometimes worked	Student often worked effectively in	Student almost always worked		
1		1	1 - 22		effectively in teams based on		effectively in teams based on		
11	Learning Objective 9			based on self/peer assessments.	effectively in teams based on	teams based on self/peer			
1				based on self/peer assessments.	self/peer assessments.	assessments.	self/peer assessments.		
1				based on self/peer assessments.					
1	Learning Objective 9			based on self/peer assessments.					

Table 1. Student survey results: 2014-2017 and 2019, n=85 Students

Questions - 1 = Strongly disagree5 = Strongly Agree ¹	Mean	Mean	
	(Std. Dev.)	Difference ²	Lower CI ³
The case improved my understanding of the differences between a positive, negative and blank	4.51	1.51	4.34
confirmation and when each type should be used. LO1	(.57)		
The case improved my ability to identify when it is appropriate not to send accounts receivable	4.24	1.24	4.04
confirmations. LO2	(.68)		
The case improved my understanding of the accounts receivable confirmation process. LO3	4.64	1.64	4.49
	(.53)		
The case improved my understanding of haphazardly versus random sample selections. LO4	4.24	1.24	4.01
	(.79)		
The case improved my understanding of auditing accounts receivable and allowance for doubtful	4.51	1.51	4.33
accounts specifically focusing on an aging of accounts receivable analysis test. LO5	(.63)		
The case improved my understanding of documenting auditing procedures and conclusions on	4.59	1.59	4.43
audit work papers. LO6	(.54)		
The case improved my understanding with proposing audit adjustments to management. LO7	4.26	1.26	4.06
	(.69)		
The case improved my ability to research and apply Statements on Auditing Standards (SAS).	4.2	1.20	3.98
LO8	(.75)		
The case improved my understanding of the importance of application and communication of	4.42	1.42	4.24
research within auditing. LO8	(.64)		
1=Poor5 = Excellent			
What is your overall rating of the case?	4.43	1.43	4.26
	(.58)		
	The case improved my understanding of the differences between a positive, negative and blank confirmation and when each type should be used. LO1 The case improved my ability to identify when it is appropriate not to send accounts receivable confirmations. LO2 The case improved my understanding of the accounts receivable confirmation process. LO3 The case improved my understanding of haphazardly versus random sample selections. LO4 The case improved my understanding of auditing accounts receivable and allowance for doubtful accounts specifically focusing on an aging of accounts receivable analysis test. LO5 The case improved my understanding of documenting auditing procedures and conclusions on audit work papers. LO6 The case improved my understanding with proposing audit adjustments to management. LO7 The case improved my ability to research and apply Statements on Auditing Standards (SAS). LO8 The case improved my understanding of the importance of application and communication of research within auditing. LO8	The case improved my understanding of the differences between a positive, negative and blank confirmation and when each type should be used. LO1 The case improved my ability to identify when it is appropriate not to send accounts receivable confirmations. LO2 (.68) The case improved my understanding of the accounts receivable confirmation process. LO3 The case improved my understanding of haphazardly versus random sample selections. LO4 (.79) The case improved my understanding of auditing accounts receivable and allowance for doubtful accounts specifically focusing on an aging of accounts receivable analysis test. LO5 The case improved my understanding of documenting auditing procedures and conclusions on audit work papers. LO6 The case improved my understanding with proposing audit adjustments to management. LO7 4.26 (.69) The case improved my ability to research and apply Statements on Auditing Standards (SAS). LO8 The case improved my understanding of the importance of application and communication of research within auditing. LO8 [The case improved my understanding of the accounts receivable confirmation process. LO3 The case improved my understanding of the accounts receivable confirmation process. LO3 The case improved my understanding of the accounts receivable confirmation process. LO3 The case improved my understanding of haphazardly versus random sample selections. LO4 The case improved my understanding of haphazardly versus random sample selections. LO4 The case improved my understanding of auditing accounts receivable and allowance for doubtful accounts specifically focusing on an aging of accounts receivable analysis test. LO5 The case improved my understanding of documenting auditing procedures and conclusions on audit work papers. LO6 The case improved my understanding with proposing audit adjustments to management. LO7 The case improved my ability to research and apply Statements on Auditing Standards (SAS). LO8 The case improved my understanding of the importance of application and communication of account accounts in the importance of application and communication of account accounts acc

All are significant at the 0.01 levels.

Conclusion

In conclusion, students have attested that Cardinal Corporation is an effective case to teach students how to audit accounts receivable. Students attested that their favorite aspect of the case was "...the level of detail. When we completed this project, I felt an overall better understanding of Audit. It was my 1st 'AHA' moment." Students also enjoyed "the ability to receive physical documents to work with" and having to "ask for confirmations but not receiving [all of] them due to unavailability." A few students commented their least favorite aspect of the case was all the "ticking and tying." Overall, the students valued the comprehensive nature of the project and the ability to gain audit experience. Cardinal Corporation provides students with the opportunity to learn firsthand from a training resource that has been vetted with professionals and used as a training resource with a global leading professional services firm.

If potential adopters or users of the case have any questions or feedback, the author would like to hear from you. Please contact the author at sslureau@noctrl.edu. The author will also provide all adopters with excel/word versions of work papers, documents, and rubrics.

¹ Scale: 1 (Strongly Disagree) to 5 (Strongly Agree), with 3 (neutral).

² Mean difference from neutral point of 3. Positive mean differences indicate agreement and negative differences indicate disagreement between Confidence interval using a 99 percent confidence level, based on 85 observations.

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Appendix A – Simulation Documents to be Distributed to Students

Auditing Accounts Receivable and Allowance for Doubtful Accounts at Cardinal Corporation

Kayla Lavine is about to head into her second busy season with Lureau and Partners, LLP. She is currently an associate. This busy season she will be joining the audit team of Cardinal Corporation. Cardinal Corporation is a privately held hockey apparel company that has been around since 1998. Kayla is excited to be auditing Cardinal Corporation because she is a huge hockey fan. Busy season does not seem too unbearable now that she will be surrounded by her hobby. However, most importantly, Kayla is hoping to have a productive and efficient busy season in hopes of impressing her audit team as she could potentially be promoted to senior at the end of busy season.

One of the areas Kayla has been asked to audit by her senior, Ryan Miller, is the accounts receivable and allowance for doubtful accounts. Kayla has experience with auditing accounts receivable in the past so Ryan thought it would be a good fit for her to take the lead on this area.

Cardinal Corporation's accounting policy states that the company uses the allowance method for its uncollectible accounts receivable balances. In the past, accounts receivable has not been a problematic area; however, due to turnover in the department there appears to be some confusion on how to appropriately accrue for the possibility of uncollectible accounts.

During the preliminary stages of the planning analytics, the allowance for doubtful accounts appears low this year compared to the prior year. The accounts receivable balance increased approximately 18%; however, the percentage of allowance for doubtful accounts per accounts receivable is decreasing. Due to this implausible relationship and recent turnover in the accounts receivable department, management has assessed this area as high risk. The audit program has been developed and reviewed by Kayla's manager based upon this risk assessment.

Ryan feels that Kayla is up for this challenge and as such has asked Kayla to complete the audit program around accounts receivable by performing the various audit procedures as well as documenting her conclusions. A few of the audit steps have already been completed and their conclusions have been noted. Ryan has provided a hard copy audit program, and advises Kayla to send him a request for the electronic copy.

Cardinal Corporation Audit Program - Accounts Receivable

Key Risk Identified:

- 1) Overstatement of AR balance due to fictitious transactions or inflating actual sales.
- 2) Understatement of allowance for doubtful accounts balance.

Prior Year Audit Considerations, including history of error:

No history of errors in the past relating to accounts receivables and allowance for doubtful accounts.

Controls:

Note: Assume control testing was performed during interim and no control weaknesses were identified; however, with the turnover in the department and some confusion on the aging process, control risk is assessed at a medium level.

Pla	nned Procedures:	Primary Assertion:* C / EO / RO / VA / PD	Overall Risk Assessment** H/M/L	Performed By:	Comments/Conclusion
Pla	nning Analytics: Accounts Receivable				
1)	Compute accounts receivable turnover ratio and days sales in accounts receivable. Compare to the prior year for trend analysis. Note any implausible relationships or key risk areas.	VA	Н	Associate	
2)	Calculate the prior year and current year relation between allowance for doubtful accounts and accounts receivable balance. Compare to the prior year for trend analysis. Note any implausible relationships or key risk areas.	VA	Н	Associate	
Sub	stantive Tests of Details: Accounts Receivable				
1)	Obtain AR Aging Schedule from client - Foot and agree to General Ledger.	VA	Н	Associate	
2)	Send Positive Confirmations to all accounts over \$4000 Balance. Then haphazardly select three additional accounts to confirm. Investigate any exceptions reported by customer through alternative procedures. Complete the confirmation log.	E	Н	Associate	
3)	Perform alternative procedures on accounts that do not reply or had discrepancies noted on the positive confirmation: 1) Vouch cash receipts after confirmation date back to AR Listing for subsequent payment 2) Vouch AR balances to supporting invoice and shipping documents	E	Н	Associate	
4)	Review the adequacy of the allowance for doubtful accounts: 1) Discuss the allowance and composition of the receivable balance with management. 2) Perform an aging of accounts receivable analysis test otherwise known as a "bucket analysis" of the Aged Receivables. (Vouch a sample of amounts to corresponding invoices, bill of ladings and confirmations to determine whether or not amounts are accurately stated and receivables are aged appropriately based on their past due date. Check the following items: Invoice Value, Invoice Date & Customer Information. Then recalculate ADA. Use the same sample selected above for confirmations.) 3) Review credit file information, collection process and correspondence with customer(s) with credit manager. 4) Recalculate allowance for doubtful accounts and propose any necessary adjustments. Tie-in your analytics from above to help support your adjustment if needed. 5) Review cash collections after the balance sheet date and compare to the Net Realizable Value in order to test for reasonableness of your ADA balance. Hint: In order to calculate NRV you should take Audited AR - Audited ADA. Compare Audited NRV to cash collections.	VA	Н	Senior/ Associate	Step 1 Completed by Senior. No discrepancies/concerns noted. No further follow-up deemed necessary. See work paper AR1 for details. Step 3 Completed by Senior. No discrepancies/concerns noted. No further follow-up deemed necessary. See work paper

Auditing Accounts Receivable and Allowance for Doubtful Accounts

		Assertion:*	Assessment**		
Pla	nned Procedures:	C/EO/RO	H/M/L	Performed By:	Comments/Conclusion
Sul	ostantive Tests of Details: Accounts Receivable				
5)	Inquire of management about liens, security interests and assets pledged as loan collateral. Corroborate management by reviewing debt and lease agreements, confirmations and minutes of directors' meetings. Additionally make inquiries and read agreements relating to trade receivables and any related party transactions.	RO/PD	M-H	Experienced Associate	Completed. No discrepancies/concerns noted. No further follow-up deemed necessary. See work paper AR7 for details.
6)	Perform cutoff tests. Examine invoices and shipping documents to determine proper cutoff 5 days before year-end and 5 days after year-end. FOB Destination.	C (Cutoff)	Н	Associate	
7)	Prepare Accounts Receivable lead schedule and determine if further testing needs to be completed.	VA	Н	Associate	
Fin	al Analytics: Accounts Receivable				
8)	Compute accounts receivable turnover ratio and days sales in accounts receivable with audited balances. Compare to the prior year for trend analysis. Note if any implausible relationships still exist and if further testing will need to be completed. If no additional implausible relationships exist, conclude if further testing is warranted.	VA	Н	Associate	
9)	Calculate the current year relation between allowance for doubtful accounts and accounts receivable using the audited balances. Compare to the prior year for trend analysis. Note if any implausible relationships still exist and if further testing will need to be completed. If no additional implausible relationships exist, conclude if further testing is warranted.	VA	Н	Associate	
Coi	mplete Audit Program				
10)	Complete Comments/Conclusions column within the Audit Program - Accounts Receivable.			Associate	
*	Assertions:				
	C: Completeness, EO: Existence and Occurrence, RO: Rights and Obligations, VA: Valuation	and Allocation	on, PD: Presenta	ation and Disclo	sure.
**	Risk Assessment:				
	H: High, M: Medium, L: Low				

Upon reviewing the audit program planning step 4, Kayla realizes she will need further clarification on how to perform an aging of accounts receivable analysis test referred to as a "bucket test." An excerpt of Ryan's clarification is given below.

As an auditor, your job is to test the completeness and accuracy of the aging schedule in order to test the reasonableness of the balance in allowance for doubtful accounts. Use their aging schedule and select a sample of invoices haphazardly to perform "bucket testing." Verify that the invoices are properly recorded by vouching the invoice value and invoice date to the aging schedule. Recalculate the number of days the invoice is past due to ensure the accounts receivable balance is recorded in the correct aging column. I have already verified that the estimated percentages correspond with Cardinal Corporation's allowance for doubtful accounts policy and are consistent with industry standards and Cardinal's past collection history. You will need to tie the ending value to the trial balance to ensure a complete listing has been provided. Lastly, once you gain comfort over the schedule, recalculate the allowance for doubtful accounts and compare your balance with Cardinal Corporation. Propose any adjustments to management if needed.

At the end of Ryan's conversation with Kayla, he provides her with the following: documents needed from the client, AR lead schedule and the AR confirmation work paper. Ryan noted that the documents provided by the client were in paper form. Ryan advises Kayla that if she would prefer to have some of the documents in Excel format, to request them from the client. If Kayla would like the AR lead schedule and confirmation work paper in Excel format, she should let him know.

Case Requirements

Two memoranda in good form are required (one for questions 1-4 and one to your instructor – see question 6). Complete the audit program (question 5) and document work performed on the work papers.

- 1) Ryan has asked you to research the difference between positive, negative and blank confirmations and when each is used. Upon concluding your research, you have been asked to summarize your findings within a brief memo to Ryan. Be sure to cite the appropriate Statement of Auditing Standard within your response.
- 2) Research the Statement of Auditing Standard that addresses when it is appropriate not to send accounts receivable confirmations and what other procedures may be applied to gain comfort over the accounts receivable balance. Include your research and Statement of Auditing Standard citation within your memo to Ryan.
- 3) Auditors are expected to maintain control of the confirmation process. What does this mean and what happens if the auditor does not maintain control? Again, cite the appropriate Statement of Auditing Standard and include your response within the same accounts receivable memo to Ryan.
- 4) What does it mean to haphazardly select your sample? Is this the same as a random sample? Be sure to support your conclusion by referencing the appropriate Statement of Auditing Standard. Include your response in your memo to Ryan.
- Assume the role of Kayla Lavine, associate auditor. Complete the Accounts Receivable Audit Program and fill in your conclusions for each procedure. You should complete all associate sections within the audit program. Note: For your sample selection, your professor will play the role of the customers as well as management. As such, you will need to follow-up with your professor for your confirmations (professor in customer role), invoices and bills of lading (professor is then in client management role). However, when requesting for your sample, all related documents should be requested of your professor at one time. When requesting invoices and bill of lading, submit your request by invoice number. Upon completion of the audit program, propose any audit adjustments you feel necessary and identify whether you would want to extend testing over accounts receivable. HINT: Be sure to tickmark all documents including confirmations, invoices, bill of lading and all schedules.
- 6) Identify a past real-life fraud case where the fraudulent act revolved around accounts receivable, allowance for doubtful accounts and/or the accounts receivable confirmation process. Describe the real-life case, the parties involved and the outcome within a maximum of two paragraphs. Please include this response in a separate memo to your instructor.

Provided Client Documents, AR Lead Schedule and AR Confirmation Work Paper

Cardinal Corporation 1508 West Aurora Road Carol Stream, IL 60666

Abbreviated General Ledger

Assets Account #		Account Title		Years Ago Audited 2/31/20XX Balance	1	Prior Yr. Audited 2/31/20PY Balance	1	Surrent Yr. Jnaudited 2/31/20CY Balance
	10000	Petty Cash	\$	500.00	\$	500.00	\$	500.00
	11000	Checking Account		18,234.64		17,324.87		18,710.00
	12000	Payroll Checking		1,000.00		1,000.00		1,000.00
	13000	Savings Account	3	,989,057.64	4	,129,156.78	4	,569,225.26
	14000	Accounts Receivable		135,354.00		163,326.14		192,140.21
	15000	Allowance for Doubtful Accounts		(29,101.11)		(34,444.26)		(35,343.85)
	16000	Interest Receivable		1,500.00		1,500.00		1,500.00
	4000 4001	Cash Sales Credit Sales	1	313,256.56 .325,787.22	1	334,687.23 .436.789.00		417,822.44 .435.563.00

A/R Details with Aging Cardinal Corporation 12/31/20CY

A Estimated Percent Uncollectible 1% 4% 10% 30% 50%

G		Invoice	Invoice			24.45	45 50	<1 00	0 00 0	Estimated Amount
Cust #	Customer	Number(s)	Date(s)	AR Amount	Current	31-45	46 - 60	61 - 90	Over 90 Day	Uncollectible
21195	Cardinal Crazies	299	12/9/20CY	21,124.00	21,124.00	-	-	-	-	211.24
31609	Sarah's Rink	291	11/28/20CY	12,289.99	-	12,289.99	-	-	_	491.60
28800	Carnegie Shop	287	11/27/20CY	13,300.55	-	13,300.55	-	-	-	532.02
27811	Kimmel Arena	284	11/20/20CY	3,338.10	-	3,338.10	-	-	_	133.52
29766	Harold & Eva Recreation	269	11/13/20CY	2,999.78	1	-	2,999.78	-	ı	299.98
29767	Merner Sports	265	11/10/20CY	2,080.00	-	-	2,080.00	-	-	208.00
29770	Red Noise	259	11/8/20CY	1,747.50	-	-	1,747.50	-	-	174.75
31610	Zimmerman LLC	240 330	10/28/20CY 12/23/20CY	17,880.14	16,564.00	_	-	1,316.14	-	560.48
29629	Rall LLP	238	10/20/20CY	4,007.06	-	1	-	4,007.06	-	1,202.12
24947	Larrance Apparel	233 344	10/17/20CY 12/28/20CY	16,881.50	2,557.50	1	,	14,324.00		4,322.78
28815	Ward Gear	212	10/11/20CY	3,465.59	-	-	-	3,465.59	-	1,039.68
29789	Cardinal Rink	205	10/5/20CY	38,639.00	1	-	1	38,639.00	-	11,591.70
29966	Oliver LLP	200 351	10/3/20CY 12/29/20CY	34,094.00	5,424.00	-	-	28,670.00	-	8,655.24
29536	Goldspohn Arena	140	9/5/20CY	8,360.00	-	-	-	-	8,360.00	4,180.00
29444	Kaufman Gear	112 354	8/22/20CY 12/31/20CY	11,933.00	8,624.00	-	-	-	3,309.00	1,740.74
		Total	A/R Balance	192,140.21	54,293.50	28,928.64	6,827.28	90,421.79	11,669.00	35,343.85

A - Agreed the estimated percentages to Cardinal Corporation's allowance for doubtful accounts policy and noted that they are consistent with industry standards and Cardinal's past collection history.

Cardinal Corporation 1508 West Aurora Road Carol Stream, IL 60666

Cash Receipts Journal as of 1/31/XXFY

Date	Description	Acct. #	Cash	Accts. Receivable	Sales	Other
3-Jan	Daily AR Collection	29629	\$ 4,007.06	\$ 4,007.06		
3-Jan	Daily Cash Collection		2,562.03		2,562.03	
8-Jan	Daily AR Collection	28815	3,465.59	3,465.59		
8-Jan	Daily Cash Collection		516.98		516.98	
10-Jan	Daily AR Collection	29536	4,180.00	4,180.00		
10-Jan	Daily Cash Collection		1,789.59		1,789.59	
13-Jan	Daily AR Collection	24947	14,324.00	14,324.00		
15-Jan	Daily AR Collection	29766	6,079.78	3,999.78		
		29767		2,080.00		
16-Jan	Daily AR Collection	24947	2,557.50	2,557.50		
16-Jan	Daily Cash Collection		345.23		345.23	
20-Jan	Daily AR Collection	31610	1,316.14	1,316.14		
21-Jan	Daily AR Collection	31609	12,289.99	12,289.99		
21-Jan	Daily Cash Collection		556.19		556.19	
24-Jan	Daily AR Collection	28800	13,300.55	13,300.55		
27-Jan	Daily AR Collection	29770	1,747.50	1,747.50		
27-Jan	Daily Cash Collection		1,289.99		1,289.99	
31-Jan	Daily AR Collection	27811	3,338.10	3,338.10		
	January Totals:		\$73,666.22	\$ 66,606.21	\$7,060.01	\$-

Cardinal Corporation 1508 West Aurora Road Carol Stream, IL 60666

Abbreviated Sales Journal as of 1/5/20FY

Date	Customer	Invoice #	Acct. #	Accts.	Receivable	Sales	Inventory	cogs
23-Dec	Zimmerman LLC	330	31610	\$	16,564.00	\$ 16,564.00	\$ 8,282.00	\$ 8,282.00
28-Dec	Larrance apparel	344	24947		2,557.50	\$ 2,557.50	852.50	852.50
29-Dec	Oliver LLP	351	29966		5,424.00	5,424.00	1,808.00	1,808.00
31-Dec	Kaufman Gear	354	29444		8,624.00	8,624.00	2,874.67	2,874.67
2-Jan	Cardinal Crazies	355	21195		7,654.99	7,654.99	2,551.66	2,551.66
3-Jan	Kimmel Arena	360	27811		2,569.78	2,569.78	1,284.89	1,284.89
4-Jan	Carengie Shop	367	28800		12,987.33	12,987.33	4,329.11	4,329.11
5-Jan	Sarah's Rink	374	31609		6,895.89	6,895.89	2,298.63	2298.63
	Totals:	\$	63,277.49	\$63,277.49	\$24,281.46	\$24,281.46		

Accounts Receivable Lead Schedule

Adjustments

Acct. #: Account Title		Prior Year Audited Balance (12/31/20PY)	Unaudited Current Year Balance (12/31/20CY)	Debit	Credit	Audited Current Year Balance (12/31/20XX)
11000	Accounts Receivable	163,326.14	192,140.21			192,140.21
18000	Allowance for Doubtful Accounts	(34,444.26)	(35,343.85)			(35,343.85)
		128,881.88	156,796.36	-	-	156,796.36

Auditing Accounts Receivable and Allowance for Doubtful Accounts



Cutoff Bank Statement

Red Bird Bank

3600 West Aurora Road Carol Stream, IL 60666

Cardinal Corporation 1508 West Aurora Road Carol Stream, IL 60666 CHECKING ACCOUNT #265418

1/31/20FY

ſ	BEGINNING BALANCE	TC	OTAL DEPOSITS	TOTAL WITHDRAWALS	SERVICE CHARGES	ENDING BALANCE
	18,710		83,676	86,800	15	15,571

DEPOSITS	Deposit Date	AMOUNT
Deposit	31-Dec	2,000.00
Deposit	3-Jan	6,569.09
Deposit	8-Jan	3,982.57
Deposit	10-Jan	5,969.59
Deposit	13-Jan	14,324.00
Deposit	15-Jan	6,079.78
Deposit	16-Jan	2,902.73
Deposit	20-Jan	1,316.14
Deposit	21-Jan	12,846.18
Bank Collection	22-Jan	7,800.00
Deposit	24-Jan	13,300.55
Deposit	27-Jan	3,037.49
Interest	29-Jan	210.00
Deposit	31-Jan	3,338.10

 CHARGES
 Charge Date
 AMOUNT

 Service Charge
 31-Jan
 15

CHECKS

Number	CK Date	Amount	Number	CK Date	Amount	Number	CK Date
337	11/18/20XX	17,500	339	12/30/20XX	7,250	341	1/2/20XX
338	12/15/20XX	26,500	340	12/30/20XX	4,800	342	1/15/20XX

Accounts Receivable Confirmation Log Cardinal Corporation 12/31/20CY

Customer # Customer Confirmation Date Sent Date Received AR Balance Confirmed Notes Customer # Customer Customer Confirmation Date Sent Date Received AR Balance Confirmed Notes	
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