

## AC410: Auditing | Unit 5 Assignment 2

### Assignment: Significant Deficiencies in Accounts Receivable

This assignment is assessed by the following General Education Literacy:

**GEL-1.02** Demonstrate college-level communication through the composition of original materials in Standard American English.

In this Assignment, you will research significant deficiencies during the course of an audit you are engaged to perform.

You are conducting the audit of A-One Travel. There are two major concerns you have in A-One's operations:

1. When a customer purchases a travel package via credit card, the accounting department records a debit to accounts receivable and a credit to sales. However, if the customer cancels the package, no entry is made at the time of cancellation. The customer must request a refund in writing and only then is the credit card refunded and reversing entries made. As expected, customers call A-One upset that their credit card charges have not been reversed in a timely matter, as they were not clearly made aware that refund requests must be made in writing. (This policy is stated on the company website, but it is very difficult to find.)
2. As a result of this policy, some customers are never given refunds because they do not submit a written refund request. Because no reversing entries were made, these still appear as valid credit card sales on A-One's books. You speak to A-One's president, who states that it is not his problem if his wealthy clientele overlooks the charge and are not concerned with getting their money back. He sticks to his company policy and does not offer "freebies."

**Checklist:** In your analytical essay address the following:

1. Because this is a situation you have never before encountered, you will need to research significant deficiencies. Describe what significant deficiencies are and how you think this situation applies.
2. Discuss your responsibility in informing the audit committee of this situation, if you feel the need to inform them at all.
3. Should the company policy be addressed elsewhere as part of the audit? If so, where and how should it be explained?
4. Even though the A-One's policy is completely legal, do you feel you have to discuss it with A-One's board to make the refund policy more ethical or at least more transparent to customers?
5. How does this policy affect what you report as sales and accounts receivable on the financial statements?

#### **Critical Elements:**

- Write your original analytical essay in Standard American English. Please be sure to include an introduction, body (addressing all the checklist items), and conclusion.
- Pay special attention to correct grammar, style, and mechanics.
- Respond to the checklist items in a complete manner.
- Ensure that your viewpoint and purpose are clearly stated.
- Demonstrate logical and appropriate transitions from one idea to another.
- Your paper should be highly organized, logical, and focused.

Respond in a minimum of a 2–3 page, [APA](#)-formatted, and citation-styled paper and submit your Assignment to the Assignment 2 Dropbox.

For assistance in writing, visit the Writing Resources in the Academic Success Center found in the Academic

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Tools tab in your course.

[Common Citations in APA](#)

Submit your completed assignment to the Unit 5 assignment 2 Dropbox. The assignment is due Tuesday 11:59 p.m. ET of their assigned unit.

<b>AC410: Significant Deficiencies in Accounts Receivable</b>		
	<b>Points Possible</b>	<b>Points Earned</b>
<b>Unit 5 Assignment 2 Grading Rubric:</b> Points are earned based on critical thinking, analysis, and correct and thorough responses to the A-One travel scenario and the questions below.		
Research and describe what significant deficiencies are and how you think this situation applies.	7	
Discuss your responsibility in informing the audit committee of this situation, if you feel the need to inform them at all.	5	
Should the company policy be addressed elsewhere as part of the audit? If so, where and how should it be explained?	5	
Even though the A-One's policy is completely legal, do you feel you have to discuss it with A-One's board to make the refund policy more ethical or at least more transparent to customers?	5	
How does this policy affect what you report as sales and accounts receivable on the financial statements?	5	
Grammar and Writing Style	3	
<b>Total Points</b>	<b>30</b>	