

## AC410: Auditing | Unit 7 Assignment 2

### Assignment: Writing Assignment

Provide an original and substantive response to the questions posed in your Assignment in a minimum of 200 words.

Product warranties are an interesting liability on a client's books. When a car company issues a recall for a defective part, management can easily determine the number of units sold and to whom, as well as estimate the parts and labor necessary. Chances are a good number of consumers will elect to have the work done.

Think about other companies, such as a luggage manufacturer. Suppose you purchased a luggage set 5 years ago for \$300. The luggage came with a lifetime warranty, serviced only by the manufacturer and not the retailer. You have noticed a rip in the fabric, but you do not want to go through the trouble of mailing the suitcase back for repair. Of course the company would honor your claim if you chose to send in your suitcase, but did they set aside proper liability reserves?

- If you were auditing the luggage company, how would you gain confidence in management's accounting for warranty claims?
- Would you assume the company adequately accounts for the number of people who might make claims?
- What information would you use to gain confidence in their valuation?
- What are some other warranty situations where it is more of a guessing game as to how many claims could be filed in any given year?

Submit your completed assignment to the Unit 7 assignment 2 Dropbox. The assignment is due Tuesday 11:59 p.m. ET of their assigned unit.

AC410: Writing Assignment		
Responds substantively demonstrating their understanding of the content found in their Reading to the following questions:	Points Possible	Points Earned
If you were auditing the luggage company, how would you gain confidence in management's accounting for warranty claims?	2	
Would you assume the company adequately accounts for the number of people who might make claims?	2	
What information would you use to gain confidence in their valuation?	2	
What are some other warranty situations where it is more of a guessing game as to how many claims could be filed in any given year?	2	
Grammar, spelling, and writing style, in a minimum of 200 words	2	
<b>Total Points</b>	<b>10</b>	