Apollo Shoes Case

Apollo Shoes is an audit case designed to introduce you to the entire audit process, from planning the engagement to drafting the final report. You are asked to assume the role of a veteran of two-to-three “busy” seasons, “in-charging” for the first time. Communication between you, other audit team members, client personnel and other firm members takes the form of e-mail messages from the engagement partner (Arnold Anderson), the engagement manager (Darlene Wardlaw), an intern (Bradley Crumpler) assigned to do the “grunt work”, and the director of Apollo’s internal audit department (Karina Ramirez).

The textbook website: www.mhhe.com/louwers1e has many useful resources for students, such as a repository of electronic documents (so that you won’t need to input data or retype documents), an archive of e-mail messages and their attachments, and a bulletin board of frequently asked questions (FAQ) so that they may find assistance from other members of the firm.

The information is sequential in nature. In other words, you must pay close attention to information disclosed early in the audit (for example, in the Board of Director’s minutes) as the information may play a role in subsequent audit work. Similarly, the bank cutoff statement in the cash workpapers and invoices used for valuing inventory may be useful later in the search for unrecorded liabilities. The bank confirmation contains information about long-term liabilities.

Based upon students’ estimates, the case can be completed in approximately 60-80 hours.

You will complete the case in groups (However, stages/phases 1-4 are to be completed as an individual assignment). I will also ask you to provide evaluations of the contribution of the other members of your group. These evaluations will be used in the calculation of the final grade to get your score. For example, if you are in a group of four and your group believes you did 25% of the work, and your group score is 80—then you would receive an 80. However, if they say you only did 10% of the work, then you would get a 36.

The assignments will be completed in stages due on the dates listed in the syllabus. The stages/phases are

1 Engagement Letter
2 Staffing Memo
3 Materiality Memo
4 Fraud Memo
5 Analytical Review
6 Computer Controls
7 Substantive testing of cash
8 Control evaluation and testing in the revenue cycle
9 Substantive testing in the revenue and collection cycle
10 Control evaluation and testing in the acquisition and expenditure cycle
11 Substantive testing in the acquisition and expenditure cycle
12 Substantive testing of inventory
13 Summary memo
14 Adjusted trial balance
15 Audit report

Memos describing the requirements for most of these projects are under the planning tab in the case. You should download each of the memos and their attachments as a starting point for the case.