User Manual

Full or Lite Version
+ Public Company addon/morph

v. 7.83   **9/18/16**

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Welcome to the Real Audit ™ Simulation

The time has come to show the world that you have what it takes to work for a public accounting firm. In the real world, new audit staffers are sometimes interested in simply getting the assigned work done. In this regard, they focus on completing the audit program to the satisfaction of the senior or supervisor in-charge of the engagement. Completing assignments generally involves gathering the evidence necessary, evaluating the evidence relative to established criteria (generally GAAP) and then documenting the work and findings.

In the larger scheme of things, however, auditing is a business. And, the objective of that business is to make a profit while serving the public interest. In principle, auditing firms make a profit by charging their clients fees and by managing their expenses. The primary cost in auditing is staff salaries, which are generally incurred on the basis of hours worked and charged to the job. Therefore, accurately estimating and controlling the numbers of hours performed on each audit task is important.

In this simulation, you are placed in-charge of an audit engagement and given a series of tasks to complete. You are also assigned two inexperienced staff auditors who are automatically assigned audit tasks by you.   The tasks range from getting to know the client to testing their financial statement balances. At the end of each account, you need to discuss your findings with the Controller and then report back to the Audit Manager to receive a full staff evaluation. Your performance will be judged on your success in locating the necessary evidence (through inquiry and other audit tests) and your ability to identify and negotiate the needed audit adjustments. Your ability to control efficiency and the audit fee can also have an impact on the outcome of the engagement

Installation

Minimum configuration
Real Audit™ was designed for PCs using Windows™ 98, ME, 2000, XP, Vista, or 10 or
  Mac OS/X 6,7,8,9,10 or 11 with:
. a 600 MHz processor or higher
. 256 MB of RAM or higher
. a video graphics card with 16 MB of RAM capable of switching to 1024x768 resolution
(some older or inexpensive computers (e.g. Netbooks) may have the graphics chip built into
the motherboard and can not support the simulations setting of 1024x768 screen resolution.
When this happens the simulation will not display properly.
. a sound card
. speakers or ear phones
. 20 MB of free space on your hard drive or USB Flash drive
Multitasking is not supported because the simulation (like all commercial games) requires the
full memory and resources of your computer - please close all other applications.

Install process

1. Close any open applications and check that your hard drive or flash drive has at least 20
MB of free disk space (right click on My Computer and then select Explore to check for free
space).
2. Go to the realaudit.com web site and select Simulations from the main menu. To order,
click Student orders here and read the student ordering instructions. Next, fill out and submit
the order form. After you make your payment select Download instructions and read the
important downloading information. When ready click the appropriate Click here to
download link and save the setup file. It is recommended that you save the setup file to your
desktop for easy access (or to whatever folder you prefer).

After the download is complete, you need to double click the setup file (wherever you saved
it) and follow the installation instructions. The software should then be installed to the
recommended folder C:\Program Files\Real Audit\ If your school prevents installations to
the C: drive, you may modify the install drive to whatever your school recommends, e.g., M
or any other drive they make available for software installation. If you change the installation
folder to another location say M:\Program Files\Real Audit\ you will need to enter this
information just before you log into the simulation the first time, so it will know where to
look for the program files.

IMPORTANT: Be sure the setup file runs to the end of the installation and that you are able
to click the Finish button. If the setup file reports an error message during the installation and
does not finish, you will need to delete the corrupted setup file and download a fresh copy
from http://realaudit.com/studentdownload.html   From time to time, files downloaded from
the Internet can be corrupted by filters or bandwidth management software installed on
college networks. We apologize for this inconvenience, but it does happen sometimes.
3. After the installation is complete, you can launch the simulation from the Windows Start
menu, then Programs, Real Audit(tm)

Installation to USB Flash Drive

1. Follow instructions on web site to download the setup file to your desktop.
2. Close any open applications and check that your hard drive or flash drive has at least 20 MB of free disk space (right click on My Computer and then select Explore to check for free space).
3. Double-click the setup file
4. If using Windows Vista, 7, 10 it may give a security warning - just click Run
5. At Welcome screen click Next>
6. Read and agree to the license agreement please
7. Destination folder should give default - C:\Program Files\Real Audit\ - this needs to be carefully changed to your flash drive - to do this click just before the letter C on the left - next press the Delete key once to delete the letter C only - now type the letter of your flash drive (should be reported to you after you insert the flash drive into your computer's USB port) in its place
8. Now click Install (Important: if installing on a restricted school computer, the installer will not be able to install the Party font to the Windows folder and will probably give a warning - just continue and make sure the installer gets to Finish.
9. Start the simulation from Start menu, Programs, Real Audit(tm), Real Audit (tm) login via Internet (the install path in the login routine should now detect where the software was installed or is currently running in case the flash drive letter changes)

The Characters

There are five members of the audit team in the simulation. Ian Steele is the audit manager. He provides initial instructions and can be consulted subsequently for additional help. Kate Masters is the overall partner in charge of the engagement. Chris Kilroy is the senior in charge of the fieldwork. She performs some of the audit tasks and in certain cases assigns others to the two staff assistants: Marty Rice and Beatrice Rizzo.

There are also a number of non-playing characters (NPCs) to interact with using the Inquire button including:

Lisa   The Receptionist
Abe Johnson   The CEO
Delilah Sanchez   AR Clerk
Mr. Beauchamp   Credit Manager
Russ Garaud   Fixed Asset and Inventory Clerk
Kami Lee   AP Clerk
Jake   Warehouse guy
Heather Castillo   Warehouse gal
Sal   Traffic Manager
Edgar   Mysterious associate of Russ
Clarence Eastwood   The Controller

The Game

The game immerses you into the responsibility of assuring the fairness of a company's financial statements. These financial statements are requested by bankers or equity investors as a condition of obtaining credit or investment capital. The economic problem is that capital is scarce and only the most efficient companies are able to raise and retain necessary investment. Unfortunately, accounting information used by investors and creditors to determine who is most efficient may be in error or easily manipulated by unscrupulous CEOs and CFOs.

While it is the auditor's job to uncover and eliminate these financial statement errors and irregularities, clever management may obstruct the auditor's progress or conspire to keep the auditors from discovering the problems. Hence, in financial reporting there can be winners and losers and various factors such as the volatility of the economy, the complexity of the client's business, or the client's management may keep the auditors from the "truth."

Quick Start   Jump right into the game (not recommended)!

For those with prior computer gaming experience (e.g., adventures, simulations, or RPGs) who want to get started without reading the manual (not recommended), here's what you need to begin playing the simulation:

The basic idea is to complete the audit program and record your findings

Launch the simulation from the Windows start menu

Click on new game

Get initial briefing from Audit Manager

Try the game tutorial (or skip it if desired)

Find your virtual desk

Go meet the client and start gathering evidence

Use the audit procedure buttons to test the evidence

Use the multiple choice dialoguing engine to speak with the client

Record your findings in the audit program

Negotiate your findings with the Controller

Report back to the Audit Manager

Should you have difficulty navigating, finding all of the evidence, negotiating, or using the audit program, it is highly recommended that you read the rest of this manual and complete the initial game tutorial.

Real Audit, The Simulation Game - An In-Depth Guide

First steps - The menu

After you launch the game from the Windows Start menu and click Continue on the game title screen, you will see the initial game menu:

New Game: Starting a new game allows you to begin the simulation from the beginning.

Load Game: Load a previously saved game. Choose this option when you want to resume from a previously saved progress point in the simulation.

Quit: Choose quit when you want to leave the simulation and return to Windows.

Additional options on the in-game menu (see page 13 for more details):

Once the game has started, additional menu options are available including

Save Game: To save the data you entered in the audit program and your game progress (the simulation does not do it automatically), click this button. Use descriptive names for each save. For example, after completing planning step 1, you could name your

file P 1 041107. After completing planning step 2, you could use P 1 + 2 041207. This way, you can revert to a previous point in the simulation without having to start a new game.

How and where to save your games:

After clicking the save game button, a save window will appear with a save in drop-down box. The drop down allows you to select the folder and medium for your save.
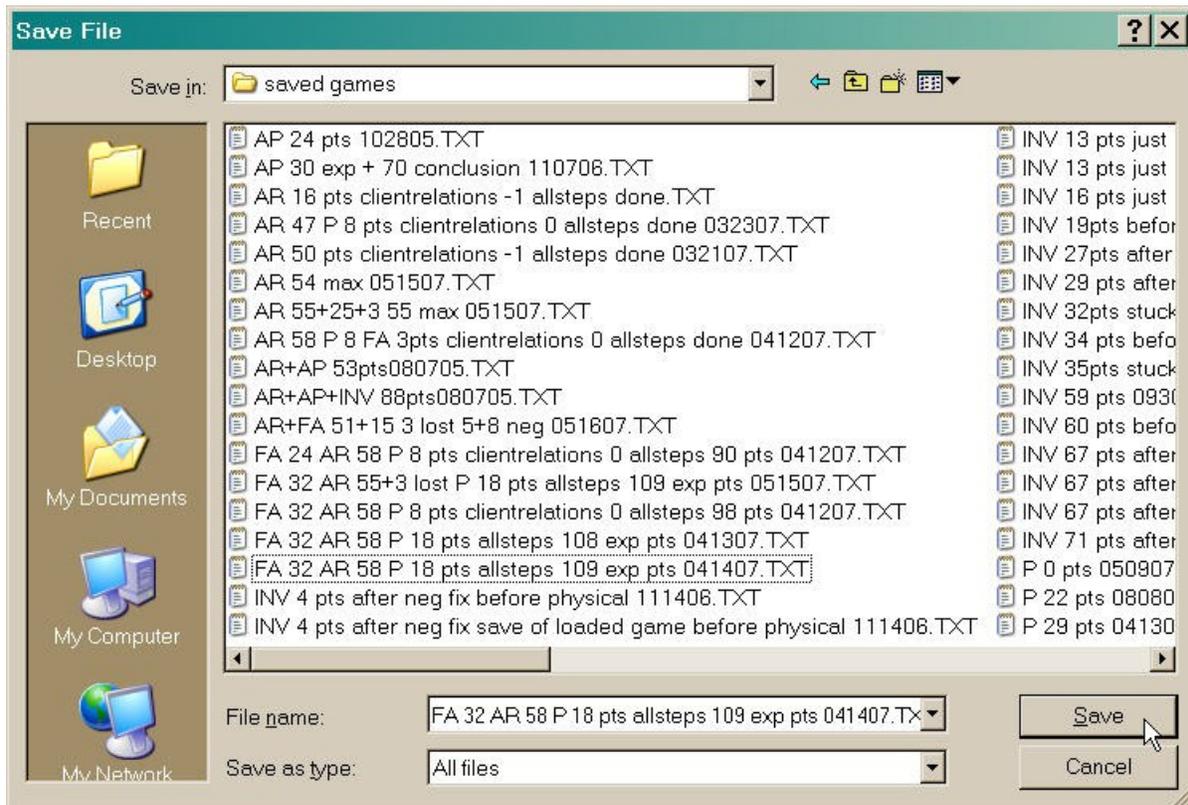
For example, you can save to a folder on your hard drive or to a removable USB flash drive. In the example above, we are saving to a folder on the hard drive, which we have previously created and named "saved games." Because of the freedom you are allowed in where and on what medium you can use to save your games, however, you must be careful not to lose or corrupt your save game files. Please be sure to write down the location of your saved games folder. If you are using a USB flash drive, be sure that you eject it safely. With a removable drive, you can transport your saved games from one computer to another. However, pulling a USB flash drive from the USB port without clicking to eject it safely can result in loss of data and your save game will no longer work. If this happens, you will need to start a new game or use a previously saved game under a different name. It is highly recommended that you have multiple saved games under different names. Use a name that corresponds to the last audit program step you completed. That way you can load a saved game from a particular progress point.

Selecting the audit simulation and login settings

After starting a new game, you must select an audit simulation and login to the realaudit.com server. The audit environment includes the client type, style, and response .
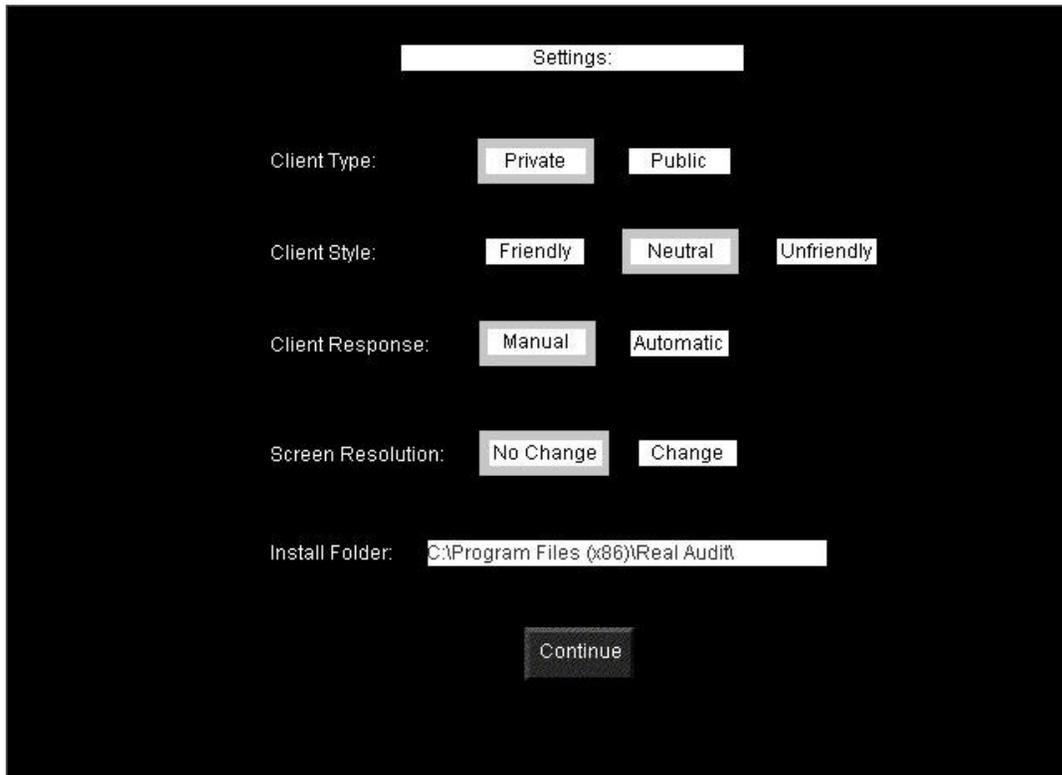
Type:	**Private company** - .select this option to audit a private-held corporation. This audit tends to emphasize planning and substantive testing.	
	Public company - select this option to audit a publicly-held corporation. This audit includes Sarbanes-Oxley Section 404 internal control testing as well as planning and substantive testing.	
Style:	**Friendly** - this option results in a client that is generally friendly towards its auditors.	
	Neutral - this option results in a client that neither goes out of its way to be friendly or unfriendly to its auditors.	
	Unfriendly - this option results in a client that is not happy about being audited and include responses that are unfriendly and possibly outright antagonistic toward their auditors	

Response: **Automatic** - selecting this option allows the computer to control the pace of the client's response to the auditor's questions.

Manual - this is the default option, which allows you to control the pace of the client's responses with the space bar. While this approach is less realistic, it allows you to take as much time as you want to read each response. In manual mode the response pauses. To continue the discussion you must press the space bar.

Screen Resolution: **No change** - this is the default option, which allows the simulation to run without making any change to your current screen resolution. The game requires a screen resolution of 1024x768 or higher to display properly. If your monitor is set for less than 1024x768 (e.g., 800x600), select the change option to have the simulation adjust your monitor setting to one that will display the program more appropriately.

Change - this option will allow you to adjust your display setting to 1024x768 for a standard monitor or higher if you are using a wide-screen monitor or laptop. If you are using a wide-screen monitor (16x9 aspect ratio), then select the 1280x800 setting. If you are using a standard (4:3 aspect ratio) monitor at 800x600 or below, then select the 1024x768 setting. Then, click continue. If you do not like the screen resolution you have selected after logging in to the game, please start a new game and try a different setting.

Install Folder:

C:\Program Files\Real Audit\ is the default and should not be modified unless you had to install the program to a different directory. If so, modify this data to the exact location you used (and don't forget the forward slash at the end).

The login screen:

At the login screen, please type in your account (which is your registered e-mail address) and your password. Then, click the login button to connect to the realaudit.com server. You will need an active Internet connection to use this software.
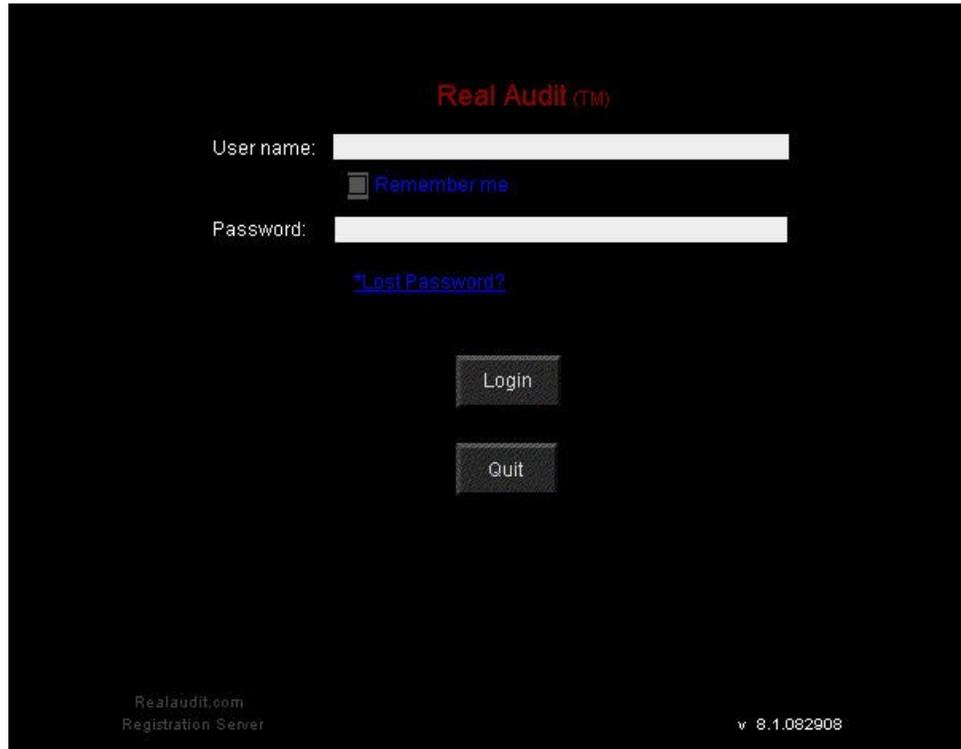
The version number of the software is shown in the lower right corner.

Remember me - If you are using the simulation on your own personal computer, you can check remember me and the system with store your e-mail address so you don't have to type it in every time. This feature should be used used if you are using the simulation in a college computer lab or public computer.

The initial briefing

After logging in to the realaudit.com server, you will be taken to the firm's office for an initial briefing from the Audit Manager.

Left-click the choices below the audit manager to ask questions and continue the discussion. At the end of the briefing, you should proceed to the Game Tutorial.

The game tutorial

Upon entering tutorial mode, you will see instructions at the top of the screen. It is recommended that you read the instructions carefully and click Next > to continue. For
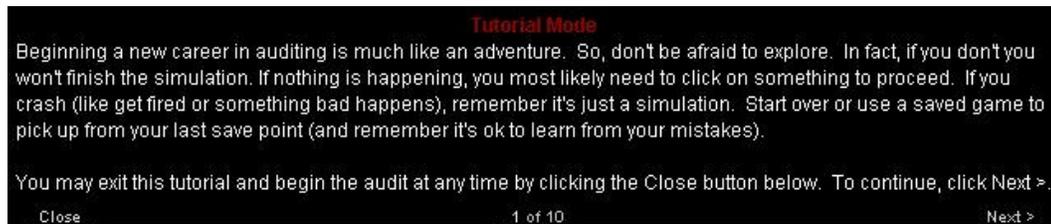
those of you who are very brave or impatient, you may click Close at any time to leave the tutorial and begin the actual simulation game. You can also leave the tutorial with the close button if you need to quit the simulation. You will then need to navigate to the auditor's virtual desk (explained next) to access the in-game menu and the quit button.

The auditor's virtual desk and navigation

After closing the tutorial, you will need to find your way to the auditor's virtual desk. This is where planning the audit begins. Some useful items such as the permanent file, drafts of the financial statements, and parts of the planning memo have been left for you, but you must inquire the audit manager to pick them up. Should you desire more briefing on planning, you may inquire the audit manager again for more help.

Evidence on the auditor's virtual desk may be selected by clicking the desired item on the evidence list and then clicking the desired audit procedure below. For example, you can open the permanent file by clicking Permanent File and then clicking Inspect. You may also do a number of other things at the virtual desk such as answer the phone, print your findings, move on to the next assignment, view the status window, open the audit program, view the general ledger, and open the in-game simulation menu

       Navigation - The full version of the simulation is organized into six modules and so you must use the account button (just to the left of the audit program button) to navigate through the modules. After the game tutorial, all versions of the simulation start with the Planning module. From there it varies depending on whether you have chosen the Public Company addon/morph or not. The base Lite version has four modules. If you do them all, the typical path through the simulation, by left-clicking the account button, would be:

<p style="text-align:center">Planning -> AR -> FA -> CoTA</p>

If you add the Public Company morph to the Lite version, an IC (internal control) module is added. The typical path using the account button then would be:

Planning -> IC -> Planning -> AR -> FA -> CoTA

The full version has six modules. The typical path using the account button is:

Planning -> AR -> FA -> AP -> INV -> CoTA

If you want to skip around, you can right-click the account button to change the order. Adding the Public Company morph to the full version results in seven modules, which typically unfold as follows using the account button:

Planning -> IC -> Planning -> AR -> FA -> AP -> INV -> CoTA

   Answering the phone - right click on the phone (to answer it) when it rings

   Printing Findings - click here to print reports from planning, accounts receivable, fixed assets, accounts payable and inventory. You will be prompted for each report one at a time.

   Status - this opens the status window. This is where you can keep track of your experience points and the accumulated audit fee. This is one of the more advanced features of the game so be careful not to let it side track you when you are first starting out. These variables are important when you are role-playing and are trying to maximize all aspects of your game performance. When just adventuring and you are simply trying to acquire a feel for what audit practice is all about, these variables are sometimes better ignored.

   The general model for success in this game is to gather the evidence needed, make the adjusting entries necessary for fair presentation, and effectively negotiate the adjustments with the Controller while minimizing the audit fee. If your instructor assigned a presentation to the Audit Committee then your ability to find all of the items to be brought to their attention is also a factor. Your outcomes may also be affected by your maintenance of client relations, independence, and efficiency (which affect your reputation). These variables can impact your negotiation score.

   Here is an explanation of the variables tracked in the status window:

   Experience: these points are earned as you gather evidence and perform procedures.

   Client Relations: this tracks how positive or negative you are in your interpersonal transactions with the client. Being polite or cordial can increase this variable while being rude or sarcastic can decrease it.

Independence: this tracks your objectivity, appearance, and apparent state of mind by avoiding questionable relationships or subordinating your judgment to the client.

Efficiency: this variable is affected by the number of times you perform the same procedure and by your sample size decisions.

Audit fee: this represents the overall accumulated cost of the audit. It starts out at $10,000 and then increases as you gather and evaluate evidence.

Audit Program - click here to open the audit program. The audit program is where you keep track of the tasks to be performed and your findings. Using the audit program effectively is critical to your success in the simulation game.

GL - this is where you can view the client's general ledger.

Menu - click Menu or press Esc to open the in-game simulation menu. Use this menu to create a saved-game file on your hard drive (or whatever location you choose) and to quit the game when you're done. It is recommended that you create a saved-game file after completing each step on the audit program. That way, if you want to go back and repeat certain inquiries or other steps, you can load a previous saved-game and pick up at an earlier game point without having to start a whole new game. Don't forget to use the save button and give your save file a good descriptive name as the simulation does not automatically do this for you. For example, after completing the first step on AR you could name your save file: AR 1 20 pts 041207   The system will automatically add .txt to the end of the file.

The audit assignments

Once you have mastered use of the auditor's virtual desk, you are ready to begin your auditing assignments. The first assignment in most courses will be to get to know the client, assess engagement risk, and decide whether to continue the engagement or not.

Guidance on what to do

Guidance concerning the work to be performed is laid out in the audit program. The work objectives are obtained with the Tab key. Additional guidance is provided in this user manual and the help keys. You should also consult the Audit Manager before starting an area or during your work to address frequently asked questions.

Multitasking

Real Audit™ is a graphic intensive adventure that (like in the real world) requires your undivided attention and concentration. Breaking every few minutes to check your e-mail

is not recommended or is running other applications that could interfere with the operation of the simulation such as a media player . Multitasking is, therefore, not supported.

Assess engagement risk: accept or withdraw

Assessing engagement risk involves estimating the likelihood that your firm will suffer a financial loss by associating with the client. There is always the threat of being sued by investors or creditors because you fail to warn them of serious financial problems or of financial reporting fraud. Therefore, you need to assess the likelihood of bankruptcy (or other problem that would interfere with your client's ability to continue in the ordinary course of business) and of management "cooking the books." There are many other ways to lose money on an audit engagement that must also be assessed such as tainting your reputation, being fired, or not billing all of the hours (or other costs) incurred on the engagement. You can obtain the necessary information to assess the various engagement risks by studying the financial statements, inspecting the permanent file, and by talking to management.

After assessing all of these factors, aggregate your estimate of losing money on the audit and enter your assessment of engagement risk into the audit program (see step 1.d. below). When you click the check box for step 1.d. a (yellow-colored) pop up should appear.

Select the level of engagement risk you have estimated and then click Done. Your engagement risk assessment and your decision to continue the audit (or not) should be discussed later in class.

Engagement planning

After assessing engagement risk, the next set of assignments involves engagement planning. The purpose of planning is to understand the entity and its environment including internal control design and to identity any risks of material misstatement including fraud. SAS 104-111 requires that a number of risk assessments procedures be performed. You must also establish or review the audit strategy.

Analyze financial statements

To analyze the financial statements, select Financial Statements on the evidence list with your mouse and then click the analyze button below. The analyze procedure will generate a set of ratios, which you should study to see if the client's figures are unusual relative to the industry. Variations relative to your expectations based on knowledge of the entity should be investigated. Some unusual relationships can be explained by plausible business reasons, but others may indicate a heightened risk of material misstatement. When you are finished analyzing the financial statements, you should indicate that you have completed the task by clicking step 1c in the audit program.

Assess materiality

The FASB defines materiality as the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. In Real Audit ™, you need to assess planning materiality as the dollar amount relative to pretax income. In doing so, you need to take into account the nature and size of potential financial misstatements as well as who is relying on the financial statements. Planning materiality should be entered into the audit program by clicking planning step 2.

Identify significant accounts

As part of planning, you need to review the financial statements and identify accounts that have a reasonable likelihood of containing a material misstatement. Your conclusions should be entered in step 3 of the audit program.

Evaluation of internal control design and implementation - Private company
- skip to next section if using the Public Company addon/morph

SAS 104-111 require the auditor to evaluate the design and implementation of all five components of the COSO framework for internal control when auditing a private company. The entity-level control and activity-level control checklists contained in the simulation should be used to simplify the task. To assess the control environment, you need to review the control documentation contained in the permanent file and interview the client. Several factors such as ethical values, management style, influence of the board of directors, and commitment to competence should be considered. To evaluate activity-level control you will need to interview the accounts receivable clerk.

After assessing all relevant factors, aggregate your evaluation of the five elements of the COSO framework and enter them into step 4 of the audit program. Clicking the box will open the following (yellow-colored) pop up containing a drop-down list for each of the five factors. Select and hold down the left mouse button to enter your conclusion:

Control Testing - Private company
- skip to next section if using the Public Company addon/morph

In private companies, it is not required to test controls for operating effectiveness according to law (like it is for public companies) unless substantive tests alone are not sufficient. Such controls are normally part of transaction cycles that rely heavily on electronic data processing and, consequently, there is less written output to test. Controls are not tested for operating effectiveness in this simulation when the private client type is selected.

Audit of internal control design and operating effectiveness - Public company
- go back to the previous section if using the Private Company client type

According to the Sarbanes-Oxley Act of 2002, the auditor must audit the design and operating effectiveness of the internal control over financial reporting using the internal control framework chosen by management. In this simulation, management has chosen the COSO Integrated Framework for Internal Control. The PCAOB also requires that auditors take a top-down approach to their audit of internal control, which means that they should start with entity-level control and then proceed to activity-level control. The IC module in this simulation follows the top-down approach. Hence, when you begin the IC module you will audit entity-level control design first. This will be accomplished by obtaining an overview of the governance structure from the CEO and by filling out an entity-level internal control questionnaire. Several factors such as ethical values, management style, influence of the board of directors, and commitment to competence should be considered. The operating effectiveness of the entity-level control will be audited by observing Board meetings and by conducting an employee survey.
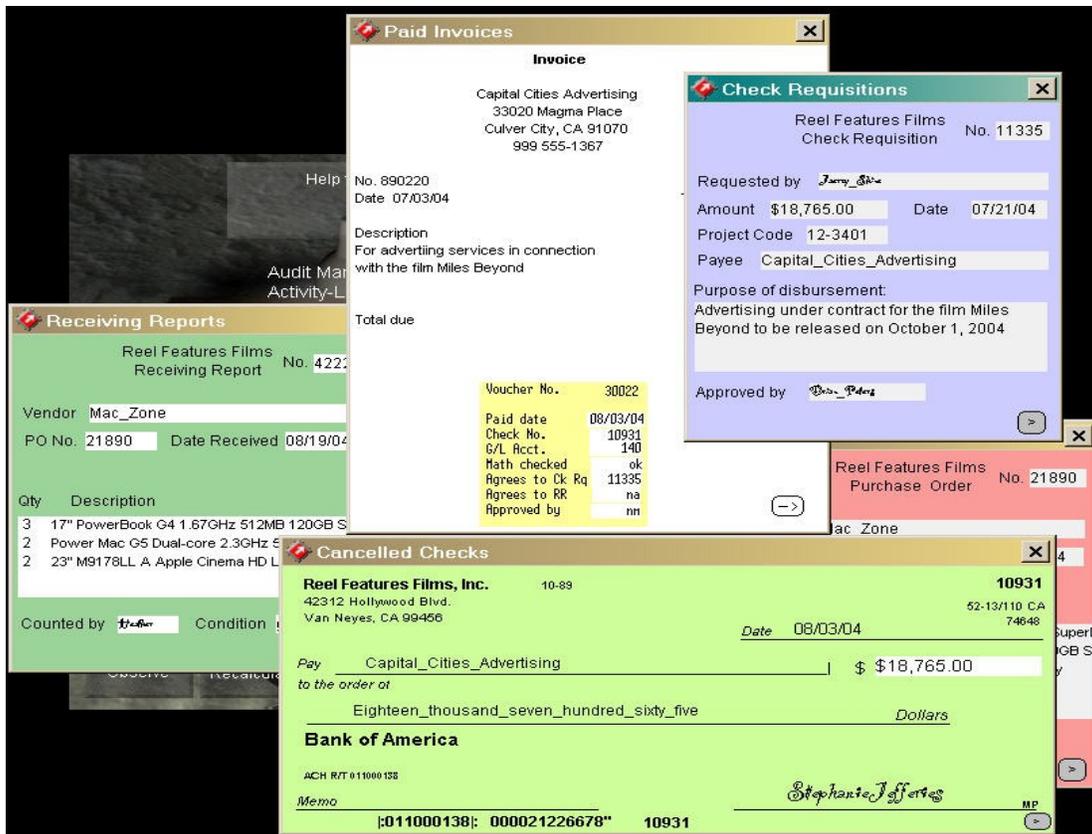
After auditing entity-level control including the control environment, risk assessment, information and communication, and monitoring, you should enter your assessment into audit program step 4. Your conclusions should be based on whether you believe these elements are effective or not. Effective according to the SEC means that there are no material weaknesses

or patterns of significant deficiencies, which in the aggregate could be material. Clicking the box will open the following (yellow-colored) pop up containing a drop-down list for each of the five factors. Select and hold down the left mouse button to enter your conclusion:

Next, within the IC module, you will move on to activity-level control. Activity-level control will be audited by obtaining walkthroughs of the revenue cycle and the expenditure cycle from the appropriate personnel, reading the documentation in the permanent file, and filling out the relevant activity-level internal control questionnaires. To test the control activities for operating effectiveness, you will need to take a sample of transactions and test them to see if the client is carrying out the controls as designed. In the expenditure cycle, you will test a sample of paid invoices. The audit manager will give you a schedule of tests to perform. The tests involve a number of documents including the paid invoices, related purchase requisitions, purchase orders, receiving reports, and canceled checks. A screen shot of the test of controls on the bill paying procedures is as follows:

After auditing activity-level control including the revenue cycle and the expenditure cycle, you need to enter your conclusions on control activities into step 4 of the audit program. Your conclusions should address whether the control elements are effective or not. Again, according to the SEC effective means that there are no material weaknesses.

The SOX 404 Opinion

After assessing all relevant elements of the COSO framework, aggregate your evaluation of the internal control over financial reporting and enter it into the audit program step 5. There are four possible reports on internal control including: unqualified, adverse, qualified, or disclaimer. Select the one that matches your conclusion.

The required team meeting

SAS 104-111 requires the audit team to meet to brainstorm and identify possible risks of material misstatement including fraud. Normally, your instructor will assign you to a team for this purpose. After completing your meeting, you should check off step 5 in the private version or step 6 for the public company and record your conclusions.

Complete summary of risks of material misstatement

After performing risk assessment procedures including inquiry, analytical procedures, and the required team meeting, you need to compete the schedule of identified risks of material misstatement. After identifying these risks, they should be linked to the accounts and assertions they may affect. In some cases, you may conclude that the financial statement risk is general and may therefore affect all of the accounts.

Assessing overall detection risk

Detection risk is the chance that the auditor's tests of balances may fail to detect a material misstatement. In planning, detection risk can be computed quantitatively by dividing the desired level of audit risk by the assessed levels of inherent risk and control risk. The resultant detection risk will be an indicator of how thorough the nature, timing, and extent of balance tests need to be to keep the level of audit risk acceptably low. Your overall assessment of detection risk should be entered in the audit program under planning step 7.

Reviewing the audit strategy

In Real Audit ^{TM}, a preliminary audit strategy has already been chosen and documented in the first draft of the planning memo, a copy of which can be obtained from the audit manager. Your task is to review the preliminary audit strategy and decide whether it is appropriate. A rationale for the preliminary audit strategy has been provided. Please review the rationale provided in the planning memo and indicate whether you concur with it or not. Your review of the audit strategy should be entered in the audit program under step 8.

Complete the planning memo

The planning memo is a summary of what has been done in the planning stage of the audit. To save time, it has been partially completed. Your task is to review what has been documented thus far and to complete the memo by creating attachments for the sections that are incomplete. Instructions for completing the remaining sections are provided on the planning memo. The attachments to the planning memo should be prepared on your wordprocessor.

Balance testing

After you finish the audit planning, click the AR button and you will be provided with a new evidence list for a new set of audit tasks. These tasks are described on the next page of the audit program. Click the next page button the right side of the audit program and you will see the next set of auditing procedures, which are for the accounts receivable. You will also note that the evidence lists for each set of account testing procedures is quite short and generally begins with just the accounting clerk in charge of that area. Your task is to begin testing account balances by obtaining the necessary schedules from the accounting clerks and to apply the appropriate auditing procedures.

In Real Audit ^{TM} it is common for you to perform your audit procedures on one assertion at a time, so it will be generally necessary to make follow-up visits to the client for additional schedules and/or explanations. The lite version, includes accounts receivable and fixed assets. The full version also includes accounts payable and inventory.

Auditing accounts receivable and fixed assets

In accounts receivable, the first step in the audit program is to obtain the aged trial balance from the client and to make sure it is clerically accurate. Testing for clerical accuracy involves making the appropriate recalculations of the trial balance and comparing the footing (i.e., total) to the general ledger. After testing clerical accuracy, you will need to confirm the account balances with the client's customers and have any differences reconciled and explained by the accounts receivable clerk (this is done automatically to simplify the process). Next, the most complicated part of auditing accounts receivable involves estimating the bad debts. Estimating bad debts requires making assumptions and developing a bad debts estimation model. Start with last year's bad debt expense to sales ratio and then modify it for current information such as the percentage of delinquent accounts and information in the credit files. Then compare your estimate to the client's. Finally, the auditor needs to conduct cutoff tests to ensure that sales were recorded in the proper period. The shipping reports can be accessed through the AR clerk's computer. You'll need to ask her to gain access to them.

After completing each of the balance tests your findings should be entered in the audit program for accounts receivable. For additional hints, you may consult with the audit manager.

Auditing fixed assets is similar to accounts receivable in some ways but very different in others. Like with accounts receivable, you will need to begin by talking with the fixed assets clerk and obtaining the schedules he has prepared for you. After obtaining the schedules, you will need to clerically check them and compare them to the general ledger. Next, you need to vouch the fixed asset additions and to ensure that nothing was charged to repairs and maintenance that should have been capitalized. Then, you will have to test the rent expense to make sure that there are no assets that should have been capitalized. To test the rent expense, you will need to obtain a copy of the lease from the fixed assets clerk (hint:

you will need to ask the right questions to get it). Finally, you need to test the depreciation and review the disclosures for adequacy.

Auditing accounts payable and inventory

Auditing accounts payable also has similarities with accounts receivable, but is very different in other ways. To audit accounts payable, obtain the accounts payable listing from the accounts payable clerk. Clerically check it as usual and compare it to the general ledger. Then, inspect available vendor statements on a test basis and have the client reconcile any differences. Sometimes the differences are the result of in transit items, but in others adjusting entries may be needed. The big difference with accounts payable (as compared to accounts receivable) is with the valuation assertion. With payables you are not concerned about overstatement due to bad debts. In fact, the biggest risk is usually understatement due to unrecorded liabilities. To search for unrecorded liabilities, you will need to look through the cash disbursements journal after year end to see if any payments have been made for items that were received during the fiscal year. If any are found, an adjusting entry may be needed.

Last but not least is inventory, the most complex of all the accounts in this simulation. In this case, the first thing you need to do is meet with the audit manager to get an overview of planning for the physical inventory. At the end of this discussion he will give you a copy of the inventory-planning memo prepared by management. Read through this document and make sure that all-important aspects of taking the physical inventory have been taken into account. Next, observe the physical inventory and obtain some test counts. The test counts should be tied into the inventory summary later.   The summary should also be clerically checked and tied into the general ledger. Finally, you need to test the inventory pricing. This includes tests for both lower of cost or market and slowing moving or obsolete inventory. Finally, make sure that disclosure is adequate.

Audit Performance Report

      Each time you quit the simulation, you will be taken to the report screen below. The screen tells you how many experience points you have earned and how many hints you have used. Experience points are earned as you gather needed evidence throughout the game. Hints may be obtained from the audit manger, but do not affect your score.

Staff Performance Report

Area	Experience	Hints	Conclusions	Negotiation	Score	Rating
Planning	0	0				Just learning
Accounts Receivable	0	0				
Fixed Assets	0	0				
Accounts Payable	0	0				
Inventory	0	0				
Completing the Audit	0	0				
Overall	0	0				Neophyte

Continue

      After discussing your findings with the Controller and reporting back to the audit manager (as per his instructions), you will receive a more complete performance report. The performance report provides information about progress in completing important branches of the story and gathering needed evidence (this is expressed as an experience score), an assessment of the conclusions drawn in the interactive audit program (this is based on a formula that was created to measure how close the conclusions entered into the audit program are relative to a model solution), and a score for the percentage of adjustments accepted by the client (this is expressed as a negotiation score calculated by formula: adjustments booked / adjustments proposed * 10). These three elements are then combined into an overall score, which is assigned a rating on an 11-point categorical scale ranging from "neophyte" to "promoted to senior manager." The ratings measure how well the student has analyzed and synthesized the evidence and evaluated the results.

The following tables are examples of what the simulation uses to assign performance ratings:

Planning only (Lite or Full version)

Private Point range	Performance Rating	Public Point range
<17	Just learning	<17
-33	Needs experience	-35
-44	Fair	-48
-56	Fair to Good	-61
-63	Good	-69
-70	Good to Very Good	-77
-77	Very Good	-85
-84	Very Good to Excellent	-92
-91	Excellent	-99
92>	Outstanding	100>

Lite version (when completing P+AR+FA)

Private Total Points	Performance Rating	Public Total Points
1-121	Neophyte	1-121
-138	Needs improvement	-139
-155	Developing at a slow rate	-157
-172	Developing moderately	-174
-188	Up for Semi-Senior	-191
-204	Promoted to Semi-Senior	-208
-220	Up for Senior	-225
-236	Promoted to Senior	-242
-252	Up for Manager	-259
-268	Promoted to Manager	-276
-284	Promoted to Manager w/ bonus	-292
-300	Up for Senior Manager	-308
301 or >	Promoted to Senior Manager	309 or >

(Completing P+AR+FA+CoTA)

Private Total Points	Performance Rating	Public Total Points
1-160	Neophyte	1-161
-174	Needs improvement	-178
-189	Developing at a slow rate	-195
-204	Developing moderately	-212
-219	Up for Semi-Senior	-231
-234	Promoted to Semi-Senior	-248
-249	Up for Senior	-265
-264	Promoted to Senior	-264
-279	Up for Manager	-282
-294	Promoted to Manager	-299
-309	Promoted to Manager w/ bonus	-332
-324	Up for Senior Manager	-347
325 or >	Promoted to Senior Manager	348 or >

Full version (when completing P+AR+FA+AP+INV)

Private Total Points	Performance Rating	Public Total Points
0-251	Neophyte	0-251
-298	Needs improvement	-299
-320	Developing slowly	-322
-342	Developing moderately	-344
-363	Up for Semi-Senior	-366
-384	Promoted to Semi-Senior	-388
-405	Up for Senior	-410
-426	Promoted to Senior	-432
-447	Up for Manager	-452
-468	Promoted to Manager	-476
-489	Promoted to Manager w/ bonus	-497
-510	Up for Senior Manager	-518
511 or >	Promoted to Senior Manager	519 or >

(when completing P+AR+FA+AP+INV+CoTA)

Private Total Points	Performance Rating	Public Total Points
0-301	Neophyte	0-301
302-353	Needs improvement	-354
354-375	Developing slowly	-377
376-397	Developing moderately	-409
398-418	Up for Semi-Senior	-421
419-439	Promoted to Semi-Senior	-443
440-460	Up for Senior	-465
461-481	Promoted to Senior	-487
482-502	Up for Manager	-509
503-523	Promoted to Manager	-531
524-544	Promoted to Manager w/ bonus	-552
545-565	Up for Senior Manager	-573
566 or >	Promoted to Senior Manager	574 or >

Troubleshooting

Here are some suggestions on how to address a few issues we've found that might affect your use of the program (for other help please e-mail us at support@realaudit.com):

1. a. User name issues - please be sure to use use your exact valid e-mail address (which serves as your user name) or you will not receive our registration confirmation or be able to log in to the simulation. Also, remember that e-mail addresses and passwords are case sensitive (so if you register a name like Jstudent@school.edu - you will have to use a capital J and the rest lower case to login.

   b. Credit card issues - Some students are unable to find the security code required for online transactions with Paypal on their credit cards. Please refer to the Paypal Payment Problem

selection on the left menu under Support on our Web site for examples of where to find the code on your type of credit card.

2. Talking to server (Firewall or Internet connection issue) - if you are using a firewall, please allow the simulation to contact realaudit.com or you will not be able to log in. The message "Talking to server" will blink because communication with the server is being blocked by your firewall. You also need to have a live Internet connection, so if you have dial-up, please be sure to connect to the Internet before you Start the program or you will not be able to connect to the registration server.

3. Install folder - this can be an issue if you change the default install folder in the setup file you downloaded from C:\Program Files\Real Audit\ to something else. Some schools do not allow software to be installed to the C: drive. If you change the install folder, please write down the EXACT folder you used. Then, the first time you log in to the simulation from the Start menu and reach the screen with the Install folder setting (it comes after Continue, New Game, Choose Auditor Style), you must edit the C:\Program Files\Real Audit\ to the exact folder you used. For example, say your school requires software to be installed to a J: or M: drive. All you need to do is change the Install folder setting to the correct letter such as J:\Program Files\Real Audit\ before you Continue and you should be all set. If not, you will get the following error message:
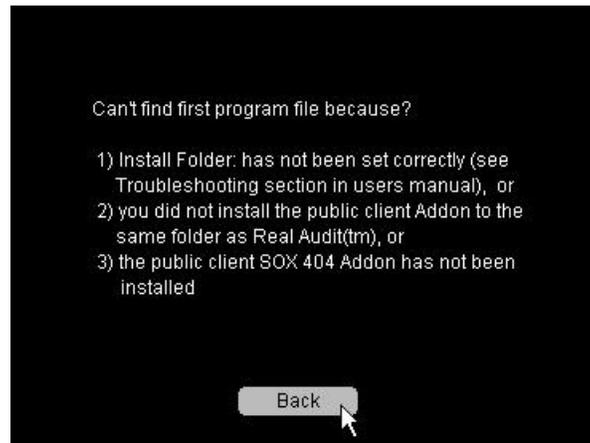
4. Save game issues - because of the freedom you are allowed in where to save your games, you must remember the folder where you saved your games to. The folder must not exceed Windows^{TM} limits, which are 8 folders deep or a path of not more than 255 characters (we recommend using the saved games folder within the Real Audit^{TM} folder.) You must also be careful if you are transporting your saved games on a USB flash drive to eject the drive safely. Pulling the drive from the port without ejecting safely can cause you to lose data or corrupt your save game file. If that happens it will not restore your game correctly. To safeguard against this, it is recommended that you save frequently using different save game file names corresponding to the last audit program step or account you completed. See page 8 of this manual for an illustration. That way you can revert to a prior save point if necessary.

5. Graphic card - if the program looks cut off at the bottom of the screen or seems to be squeezed to left side, your graphic settings are probably not at the 1024 by 768 resolution required to run properly. Real Audit(tm) normally changes your screen to the proper setting in most cases, but with some older computers the screen resolution must be changed manually. If this happens, right click on the computer screen (called the desktop) and then select Properties from the drop-down menu. Next, select the Settings tab on the Properties window you just opened. Next, drag the Screen resolution bar to 1024 by 768 and click the Apply or OK button. Then, make sure to accept the new setting before it reverts back to the old one. The simulation should now look properly on the screen.

6. True Type Font couldn't be installed - shouldn't be a problem if you are installing the software on your own computer. However, if you try installing the simulation on a school computer that has installation restrictions, a cursive font (named Party.TTF) used by Real Audit may not get installed. The program will run properly, but when you look at signatures on documents like receiving and shipping reports, they will look like "Jake" instead of "$\mathcal{Jake}$"
The solution is to install the software on a computer without installation restrictions or contact your IT technical staff and have them install the program (as they have the proper permissions on the school computers to do so).