



ACC 640 Milestone Two Guidelines and Rubric

Auditing is a valuable skill in accounting and business, as the odds are very high that you or your organization will be subject to a compliance, federal, IRS, internal, government, or revenue audit at one point in your career. Accountants are required to make professional judgments on both the financial accounting issues and internal accounting forecasts within their organization. The auditor must provide fair, unbiased, materially correct information for investors, employers, employees, and independent stakeholders. This course will help you navigate the relevant processes to provide that unbiased, accurate information.

For Milestone Two, you will submit a draft of risk factors as identified for all of the major business transactions conducted by your chosen company. Analyze the income statement, balance sheet, and cash and revenue for any potential risk factors and compliance issues with Generally Accepted Accounting Principles (GAAP). Based on your analysis of risk, devise a statistical and judgmental sampling program for the population. Recommend the most preferable audit testing procedure based on the population items sampled.

Prompt: Analyze potential risk factors in all the major business transactions using the information you have gathered in previous milestones.

Specifically, the following critical elements must be addressed:

- A. Analyze the income **statement** for any potential risk factors and compliance issues with Generally Accepted Accounting Principles (GAAP).
- B. Analyze the risk factors and compliance issues with GAAP on the balance **sheet**.
- C. Using the internal **control**, analyze the cash and revenue for potential risk factors.
 - 1. What risks need to be documented?
 - 2. How does this information compare to the company or industry averages, or the company's past performance?
- D. **Explain** the population and how you identified it.
- E. Based on your analysis of risk, **devise** a sampling program for the population.
- F. Choose the most preferable audit testing **procedures** that could be used, based on the items sampled in this situation.

Rubric

Guidelines for Submission: Your paper must be submitted as a 3–4-page Microsoft Word document with double spacing, 12-point Times New Roman font, one-inch margins, and at least three sources cited in APA format

Critical Elements	Proficient (100%)	Needs Improvement (75%)	Not Evident (0%)	Value
Factors: Statement	Analyzes the income statement for any potential risk factors or compliance issues with GAAP	Analyzes the income statement for any potential risk factors or compliance issues with GAAP, but analysis lacks depth or detail	Does not analyze the income statement for any potential risk factors or compliance issues with GAAP	16
Factors: Sheet	Analyzes risk factors and compliance issues with GAAP on the balance sheet	Analyzes risk factors and compliance issues with GAAP the balance sheet, but analysis lacks depth or detail	Does not analyze risk factors and compliance issues with GAAP on the balance sheet	16
Factors: Control	Analyzes the cash and revenue of the company for potential risk factors using the internal control	Analyzes the cash and revenue of the company for potential risk factors using the internal control, but analysis lacks depth or does not reference the internal control	Does not analyze the cash and revenue of the company for potential risk factors using the internal control	16
Factors: Explain	Explains the population and how it was identified	Explains the population and how it was identified, but explanation lacks depth or detail	Does not explain the population and how it was identified	16
Factors: Devise	Devises a sampling program for the population based on the risk analysis	Devises a sampling program for the population based on the risk analysis, but the documentation of risk lacks depth or detail	Does not devise a sampling program for the population based on the risk analysis	16
Factors: Procedures	Chooses an audit testing procedure that could be used and justifies why it would be preferable for this situation	Chooses an audit testing procedure that could be used and justifies why it would be preferable, but justification is inaccurate or inappropriate	Does not choose an audit testing procedure that could be used nor justify why it would be preferable	16
Articulation of Response	Submission has no major errors related to citations, grammar, spelling, syntax, or organization	Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas	Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas	4
Earned Total				100%