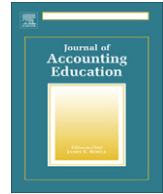




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Educational Case

Rosie's East End Restaurant: An experiential introduction to auditing

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ABSTRACT

This short interactive case introduces several auditing concepts in the context of a familiar activity: verifying the accuracy of a restaurant bill. You will work in student teams to first determine whether the bill is accurate, and then to decide whether you are willing to pay it. During the exercise, you will keep track of the various steps and procedures you used in making your decisions. After you complete the exercise, your instructor will relate the activity to various auditing topics in the auditing process such as audit evidence, internal control, materiality, professional responsibilities and the concept of “fairly stated.” Hundreds of students have completed this exercise and report that it has helped them grasp many essential features of the auditing process, while providing a useful frame of reference for more complex aspects of the audit process.

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1. The case

1.1. Background on Rosie's East End Restaurant

You and a friend have just finished an enjoyable dinner at Rosie's East End Restaurant (Rosie's). Rosie's is a favorite watering hole for local residents in a very busy tourist town in eastern Pennsylvania. The 'dining room' section of Rosie's is comfortable and relaxed. The food is very good and the prices are reasonable. The restaurant specializes in Italian–American dishes, but does have a varied menu. After dining, patrons enjoy exchanging local gossip and stories at the spacious bar while watching sporting events on the big screen TV.

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Your server has just given you the bill (Fig. 1). You enjoy going to Rosie's, but are always a little concerned when it comes to paying the bill. The servers are long-time employees of the restaurant, they perform all calculations on the bill manually and they are sometimes forgetful when it comes to preparing the bill. One time you received the bill for a nearby table and periodically you see a server looking at a menu and trying to figure out the price of an item. The servers use a small calculator to add the bill (some of the servers have arthritis). Restaurant patrons pay their bills at the bar. The owners handle all restaurant payments and enter only the total from the bill into the cash register. As such, you always take time to verify the bill before you pay it.

Guest Check

Customer Name: _____

Date	Table	Guests	Server	Check No.
8/12	14	2	Maggie	484803

APPT - SOUP/SAL - ENTREE - VEG/POT - DESSERT - BEV

1	1/2 doz. st. shrimp	4 00
2	sm. salad w/cheese	2 00
3	1 cup veg	1 25
	1 seaf. plat	7 50
4	2 coff	1 50
	1 ice tea	1 00
5	1 Lg. tom Rx	1 00
6	1 Lg. tom	1 00
7	tax	1 16
8	Thank You! 😊 Maggie	20.41

3616WP
WAITPAD®
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Fig. 1. The bill.

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