

Assessment Task – Tutorial Questions

Unit Code: HI-6026

Unit Name: Audit, Assurance and Compliance

Assignment: Tutorial Questions

Due: Week 13

Weighting: 50%

Purpose: This assignment is designed to assess your level of knowledge of the key topics covered in this unit

Unit Learning Outcomes Assessed.:

1. Demonstrate an understanding of the reporting requirements and auditing standards.
2. Demonstrate an understanding of the auditor's professional, legal and ethical responsibilities to their clients and third parties.
3. Identify the elements of the financial report audit process.
4. Understand the audit planning procedures, evaluate the business risk and assess the internal control.
5. Prepare auditing procedures for transactions and balances by conducting control and substantive Tests.
6. Understand the auditor's reporting obligations.

Description: Each week students were provided with three tutorial questions of varying degrees of difficulty. The tutorial questions are available in the Tutorial Folder, for each week, on Blackboard. The Interactive Tutorials are designed to assist students with the process, skills and knowledge to answer the provided tutorial questions. Your task is to answer a selection of tutorial question for weeks 1 to 5 inclusive and submit these answers in a single document.



Submission Directions:

The assignment will be submitted via Blackboard. Each student will be permitted only **ONE** submission to Blackboard. **You need to ensure that the document submitted is the correct one.**

Question 1 - Week 1 (7 marks)

You have recently graduated from your university course and start work with an audit firm. You meet an old school friend, Nayan, for dinner — you haven't seen each other for several years. Nayan is surprised that you are now working as an auditor because your childhood dream was to be a ballet dancer. Unfortunately, your knees were damaged in a fall, and you can no longer dance. The conversation turns to your work, and Nayan wants to know how you do your job. Nayan cannot understand why an audit is not a guarantee the company will succeed. Nayan also thinks that company managers will lie to you in order to protect themselves. As an auditor, you would have to assume that you cannot believe anything a company manager says to you.

Required:

(a) Write a letter to Nayan explaining the concept of reasonable assurance, and how reasonable assurance is determined. Explain why an auditor cannot offer absolute assurance **(3 marks)**. (200 -250 words)

(b) Explain in the letter to Nayan the concept of 'professional scepticism' and how it is not the same as assuming that managers are always trying to deceive auditors **(4 marks)**. (150-200 words)

Question 2 - Week 3 (7 marks)

Liona is the managing partner of Ross and Associates, a small audit firm. Liona's role includes managing the business affairs of the firm, and she is very worried about the amount of fees outstanding from audit clients. Broomers Pty Ltd, one of the client of Ross and Associates, has not paid its audit fees for two years despite numerous discussions between Liona, their audit partner Ball, and the management of Broomers Pty Ltd. Broomers Pty Ltd's management has promised the fees would have been paid before the audit report for this year has been published, Liona rang Ball this morning to ensure that the audit report was not issued because Broomers Pty Ltd had paid only 10 per cent of the outstanding account. She discovers that Ball is about to sign the audit report.

Required:

- (a) Explain the ethical problem in this case. Why is it a problem? **(4 marks)**. (150 – 200 words)
- (b) What can be done about it? **(3 marks)** (50 – 100 words)

Question 3 - Week 4 (7 marks)

One of the clients of MMM Chartered Accountants operates a restaurant. From January of the current year, the business has consistently paid its suppliers late, well in excess of the suppliers' normal credit terms. This has resulted in some suppliers requesting cash on delivery from the business. The auditor has reviewed the correspondence between the business and its bank and finds that the business has been experiencing cash flow problems for two years.

Required:

- (a) Explain why determination of materiality is a matter of auditor judgment. Refer to both qualitative and quantitative materiality assessments **(2 marks)**. (150 - 200 words)
- (b) Explain whether (and, if so, how) the information provided impacts on the auditor's assessment of preliminary materiality **(5 marks)**. (250 - 300 words)

Question 4 - Week 6 (7 marks)

- (a) What are the auditor's responsibilities for 'going concern assumptions'? **(2 marks)** (250 - 300 words)
- (b) Maxim Stewart is the partner in charge of the audit for a new client, Southern Southerland (SS). The client engaged Maxim's audit firm in November 2017, in preparation for the 2018 audit. From 30 January 2018 onwards, SS has consistently paid its suppliers late, well in excess of the suppliers' agreed credit terms. This has resulted in some suppliers demanding cash on delivery from SS. Maxim is also aware from his review of correspondence between SS and its bank that the company has been experiencing cash flow problems since 2016.

Required: Identify any significant events or conditions that individually or collectively may cast significant doubt on SS's ability to continue as a going concern **(5 marks)** (290 - 320 words)

Question 5- Week 10 (11 marks)

Jonas Worth is the engagement partner for the financial report audit of Caufield Ltd for the year ended 31 December, 20X7. The following material events or transactions have come to Wood's attention before he is scheduled to issue his report on 28 February, 20X8.

- a) On 3 January, 20X8, Caufield Ltd received a shipment of raw materials from Korea. The materials had been ordered in October 20X7, and shipped FOB shipping point in November 20X7 **(2.5 marks)**. (50 -80 words)
- b) On 15 January, 20X8, the company settled and paid a personal injury claim of a former employee as the result of an accident that occurred in March 20X0. The company had not previously recorded a liability for the claim **(2.5 marks)**. (50 -80 words)
- c) On 25 January, 20X8, the company agreed to purchase for cash the outstanding shares of La Trobe Electrical Ltd. The acquisition is likely to double the sales volume of Caufield Ltd **(3 marks)** (50 -80 words)
- d) On 1 February, 20X8, a plant owned by Caufield Ltd was damaged by a flood, resulting in an uninsured loss of inventory **(3 marks)** (50 -80 words)

Required:

For each of the above events or transactions, discuss audit procedures that should have brought the item to the auditor's attention, and indicate the treatment required in the financial report. Give reasons for your decision.

Client	Accounting Treatment	Justification

Question 6 - Week 11 (11 marks)

Consider each of the following independent situations which have come to your attention. In each of the following independent and material situations assume that the client is a

reporting entity and that a general-purpose financial report has been prepared and audited:

Event 1: Part of Steel Limited's operations are in South America. Recent changes of government have made it impossible for you to verify the key accounts of inventory, fixed assets and cash and related income statement balances. **(2.5 marks)** (50 -80 words)

Event 2: The management of Surf Limited's has refused to disclose a few, director related transactions on the grounds of commercial confidentiality. The financial controller reminds you that no other errors have been found in the financial report and states that the transactions are immaterial and therefore irrelevant to the users of the financial report. **(2.5 marks)** (50 -80 words)

Event 3: The annual report of Ranger Limited includes a detailed graph showing revenue for the last 10 years. You note that there are some inconsistencies between the graph and the figures in the audited financial report. Management does not want to change the graph because it would involve increased printing costs. **(3 marks)** (50 -80 words)

Event 4: Upon review of the recent history of their specialised mining equipment Minco Limited changed the service lives for depreciation purposes on this equipment from five years to three years. This change resulted in a material amount of additional depreciation. **(3 marks)** (50 -80 words)

Required: For all the above separate circumstances, identify the type of audit opinion that should be issued and justify your response. Write your answer in the formatted following the table below:

Client	Audit Opinion	Justification

Academic Integrity

Holmes Institute is committed to ensuring and upholding Academic Integrity, as Academic Integrity is integral to maintaining academic quality and the reputation of Holmes' graduates. Accordingly, all assessment tasks need to comply with academic integrity guidelines. Table 1 identifies the six categories of Academic Integrity breaches. If you have any questions about Academic Integrity issues related to your assessment tasks, please consult your lecturer or tutor for relevant referencing guidelines and support resources. Many of these resources can also be found through the Study Skills link on Blackboard.

Academic Integrity breaches are a serious offence punishable by penalties that may range from deduction of marks, failure of the assessment task or unit involved, suspension of course enrolment, or cancellation of course enrolment.

Table 1: Six categories of Academic Integrity breaches

Plagiarism	Reproducing the work of someone else without attribution. When a student submits their own work on multiple occasions this is known as self-plagiarism .
Collusion	Working with one or more other individuals to complete an assignment, in a way that is not authorised.
Copying	Reproducing and submitting the work of another student, with or without their knowledge. If a student fails to take reasonable precautions to prevent their own original work from being copied, this may also be considered an offence.
Impersonation	Falsely presenting oneself, or engaging someone else to present as oneself, in an in-person examination.
Contract cheating	Contracting a third party to complete an assessment task, generally in exchange for money or other manner of payment.

**Data fabrication and
falsification**

Manipulating or inventing data with the intent of supporting false conclusions, including manipulating images.

Source: INQAAHE, 2020

If any words or ideas used the assignment submission do not represent your original words or ideas, you must cite all relevant sources and make clear the extent to which such sources were used.

In addition, written assignments that are similar or identical to those of another student is also a violation of the Holmes Institute's Academic Conduct and Integrity policy. The consequence for a violation of this policy can incur a range of penalties varying from a 50% penalty through suspension of enrolment. The penalty would be dependent on the extent of academic misconduct and your history of academic misconduct issues.

All assessments will be automatically submitted to SelfAssign to assess their originality.

Further Information:

For further information and additional learning resources please refer to your Discussion Board for the unit.