



# **ASSIGNMENT**

**BAO5524 PROFESSIONAL AUDITING**

# **Part A**

**Semester 2, 2016**

## **Background**

There are two parts to the assignment. The first part requires students to set up an entity's books in MYOB and process transactions to relevant accounts. The second part requires students to prepare a document for the Audit Manager.

## **Part A**

You have recently graduated from VU and are now working for a small accounting firm. The firm recently purchases MYOB software for internal use. Upon learning that you had recently completed an accounting degree, the firm's partner asks you to set up and process a number of transactions into relevant accounts.

### **Required**

1. Set up the firm on MYOB.
2. The financial year must be 1 July 2015 to 30 June 2016
3. Process the transactions listed in Part A\_MYOB\_S22016 into relevant accounts.
4. Print out and submit reports for the year ended 30 June 2016.

## Part A

No. Task required	Details
<b>1 Set up a company</b>	
Set system date	1/07/2015
Company details:	AAAS216 (example: Tom sets up a company called Tom Ltd)
ABN	32 889 888 887
Address	300 Ballarat Road, Footscray, VIC 3010
Phone	(03) 4444 2222
Fax	(03) 4444 3333
Email	<a href="mailto:yourname@yournames.com.au">yourname@yournames.com.au</a> (example: tom@tomltd.com.au)
Financial year	01/07/2015 to 30/06/2016
Conversion month	July
No. of accounting periods	13
Industry classification	All
Type of business	Book Store
<b>2 Set up accounts module</b>	
Edit an account	1-1110 - cheque account, change to cash at bank 3-1100 - Owner/Sharehldr Capital, change to Equity 1-1200 -Trade Debtors, change to Accounts Receivable 2-1200 Trade Creditors, change to Accounts Payable 3-1200 Owner/Sharehldr Drawings, change to Drawings 2-1120 Diners Club, delete this account
<b>3 Delete an account</b>	
Entering opening balances	1-1110: \$30000; 1-1200: \$22000; 2-1310: \$2000; 3-1100: \$50000
<b>4 Set up sales module</b>	
Sales Layout for Invoices	item
Credit limit	\$25,000
Tax code	GST
Payment method	Cheque
Payment due	In a Given # of Days
Balance Due Days	30
<b>5 Set up customer cards</b>	A&Z, ABN: 32 333 666 567, 15 king street, kew, VIC 3025, phone: 03 1234 5678, email: tom@a&z.com.au. Payment method: cheque, BSB 087963, account no.: 444333123, account name: A&Z. B&Y, ABN: 32 456 789 222, 10 queen street, kent, VIC 3032, phone: 03 2345 6789. Payment method: cheque, BSB: 088964, account no.: 555444234, account name: B&Y
Enter a customer's opening balance	A&Z, invoice no.: 108, date: 15/07/15, Total including tax: \$22000, Tax code: GST.
<b>6 Set up purchases module</b>	
Purchase layout for invoices	item
Supplier credit limit	\$25,000
Tax code for suppliers	GST
Payment method	Cheque
Payment due	In a Given # of Days
Discount days	0
Balance due	30
% Discount early payment	0
Set up supplier cards	C&X, 1 third street, charlie, VIC 3003, phone: 03 9876 5432, ABN: 32 566 778 999, email: jules@candx.com.au. D&W, 2 fourth street, bravo, VIC 3004, phone: 03 8765 4321, ABN: 32 777 444 321, email: con@dandw.com.au.

## 7 Set up inventory module

Enter item profile data

Item no. 4401, name: fiction, status: buy, sell and inventory, COGS account: 5-1100, Income account: 4-1100, Inventory account: 1-1310, buying unit of measure: each, number of items per buying unit: 1, tax code: GST, minimum level of restocking alert: 5, primary supplier: C&X, supplier item number: 4401, default reorder quantity: 10, base selling price: \$100, selling unit of measure: each, number of items per selling unit: 1, tax code: GST.

Item no. 5502, name: non fiction, status: buy, sell and inventory, COGS account: 5-1100, Income account: 4-1100, Inventory account: 1-1310, buying unit of measure: each, number of items per buying unit: 1, tax code: GST, minimum level of restocking alert: 5, primary supplier: D&W, supplier item number: 5502, default reorder quantity: 10, base selling price: \$150, selling unit of measure: each, number of items per selling unit: 1, tax code: GST.

## 8 Enter transactions

Purchase of inventory

Tax invoice: 6482, supplier: C&X, description: 10 copies of the fiction at \$50 each, invoice amount: \$500 (GST exclusive), tax code: GST, date: 28 August 2015.

Purchase of inventory

Tax invoice: 123, supplier: D&W, description: 20 copies of the non fiction at \$70 each, invoice amount: \$1400 (GST exclusive), tax code: GST, date: 3/9/2015.

Sale of goods

Tax invoice: 109, order: PO101, customer: A&Z, description: fiction, revenue account: 4-1100, invoice amount: \$550 (GST inclusive), tax code: GST, date: 20/10/2015.

Sale of goods

Tax invoice: 111, order: D202, customer: B&Y, description: 10 non fiction at \$150, revenue account: 4-1100, invoice amount: \$1650 (GST inclusive), tax code: GST, date: 8/11/2015.

Payment from customer

Receipt no.: 110, customer: A&Z, ID#: 110, payment method: cheque, amount: \$22000, tax code: GST, date: 3/12/2015.

Purchase of inventory

Tax invoice: 112, order: e103, supplier: C&X, description: 20 copies of the fiction at \$60 each, invoice amount: \$1200 (GST exclusive), tax code: GST, date: 3/1/2016.

Expense payment

Cheque no. 150, supplier: topad, payee: topad advertising agency, amount: \$550 (GST inclusive), tax code: GST, date: 12/2/2016, account no.: 6-3100, account name: advertising.

## 9 Print reports

Trial balance - 13th Period 2016  
Balance Sheet as of 30 June 2016  
Profit and Loss Statement (Accrual) July 2015 - June 2016  
Account Transactions (Accrual) 01/07/15 to 30/06/16



# **ASSIGNMENT**

**BAO5524 PROFESSIONAL AUDITING**

## **Part B**

**Semester 2, 2016**

## Overview

Assignment is worth **20%** of the overall assessment for this subject.

Due date: **Tuesday, 4<sup>th</sup> October 2016 at 6pm**

Length: Part A: **unlimited**. Part B: **3000 words** (maximum)

Similarity index: **30%** (maximum)

## Introduction

Assignment requires you to address the issues set out in the assignment. The task is to be done individually. The assignment has two parts, A and B. Part A requires you to set up a company and process a number of transactions using MYOB. Part B requires you to prepare a document to assist your Audit Manager in developing an audit plan for the financial audit of an entity. There is no word limit for Part A. Part B must not exceed 3000 words in length. A signed assessment declaration must be attached to the front of the assignment.

## Submission instruction

Part A must be submitted in hardcopy only. Part B must to be submitted in both electronic and in hardcopy.

Electronic copy: Part B must be submitted via VU Collaborate. An originality report is available to students. Note: VU Collaborate may take up to 24 hours to produce report. Assignment with originality report level of more than **30%** will result in FOUR (4) marks being deducted. That is, assignment with originality report level of more than 30% may indicate that more than 30% of the contents of your assignment is similar to assignment submitted by other students OR that you have not properly referenced the materials you use in your assignment.

Students can re-submit your assignment on VU Collaborate as many times as necessary. However, students must submit the final version of the assignment in both electronic and manual format by **6PM** on the due date. Assignments not meeting these requirements may be returned for re-submission, with an automatic penalty of four (4) marks for poor presentation. This includes exceeding the 30% limit. Penalty of two (2) marks per day applies for late submission.

## Penalty

- Exceeding the 3000 words limit: FOUR (4) marks deduction.
- Exceeding the 30% similarity index limit: FOUR (4) marks deduction.
- Late submission: TWO (2) marks deduction per day.

## Plagiarism

Plagiarism is defined as presenting someone else's work, including the work of other students, as one's own. Any ideas or materials taken from another source for either written or oral use must be fully acknowledged, unless the information is common knowledge. All students are strongly advised to do the following:

- *goto* <http://wcf.vu.edu.au/GovernancePolicy/PDF/POA040915000.PDF>
- *enter* School of Accounting and Finance
- *enter* Student Resources
- *read* the PLAGIARISM POLICY.

## **Rationale**

The subject aims to familiarise the student to some of the key tools used by auditors for collecting and evaluating evidence, in both manual and computerised accounting information systems, so as to enable them to express an opinion on the fair presentation of financial reports.

The subject also aims to provide students with an insight into the current environment in which auditors operate, including legal liability, ethical and other professional aspects such as the “audit expectation gap”. As such, the subject provides both a conceptual and practical approach to external, as well as internal and public sector auditing, enabling students to gain a complete picture of the audit process in light of contemporary audit issues.

In addition, the subject aims to enhance a number of generic skills through both the formal components of assessment and the student’s class participation. These include: research, problem solving, and analytical skills; written and presentation skills; and interaction skills.

This individual assignment aims to provide students with an appreciation of the initial stage of the audit process known as audit planning. Specifically, it allows students to develop an understanding of the steps involved in developing an audit plan. Students are required to follow the structure approach specified in Moroney *et al.*, 2014, *Auditing A Practical Approach 2e*, Wiley.

## **Learning outcomes**

On successful completion of this unit, students should be able to:

- Develop an appreciation of the reasons for the existence of a societal demand for audit and assurance services, and an understanding of the current environment in which auditors operate, including legal, ethical and professional aspects
- Demonstrate an understanding of the key auditing principles, concepts and practices used by auditors to gather evidence and make judgments in order to form an audit opinion on the fair presentation of financial reports
- Develop an insight into the audit of specific transactions and account balances
- Be aware of the auditor’s responsibility in completing an audit
- Obtain basis understanding of other types of assurance engagement

## **Background**

There are two parts to the assignment. The first part requires students to set up an entity's books in MYOB and process transactions to relevant accounts. The second part requires students to prepare a document for the Audit Manager.

## **Part A**

You have recently graduated from VU and are now working for a small accounting firm. The firm recently purchases MYOB software for internal use. Upon learning that you had learnt MYOB as part of your study, the firm's partner asks you to set up and process a number of transactions into relevant accounts.

### **Required**

1. Set up the firm on MYOB.
2. The financial year must be 1 July 2015 to 30 June 2016
3. Process the transactions listed in Part A\_MYOB\_S22016 into relevant accounts.
4. Print out and submit reports for the year ended 30 June 2016.

## **Part B**

1. You have recently been appointed external auditor of the entity. You are assisting your Audit Manager in planning for the audit of the entity's financial statements.
2. You are required to download the annual report published by the following entity:  
- K&S Corporation Limited (<http://www.ksgroup.com.au/>)
3. Using information from chapters 3 and 4 of the textbook, prepare a document for your Audit Manager. Your document must include key information set out below.
4. You have accepted and communicated your decision to the client in the engagement letter. The audit fee is \$175,000.

### **Required**

With reference to Chapters 3 and 4 of the textbook, prepare a document for your Audit Manager. Your document must include the followings:

1. Executive summary
2. Introduction
3. Key information:
  - a) Gain an understanding the client
  - b) Identify five (5) significant accounts most at risk of being materially misstated
  - c) Set planning materiality
  - d) Assess what can go wrong (audit risk assessment) for each of the five (5) accounts selected in (b)
4. Conclusion
5. Appendix
6. References

### **Additional information**

For the purposes of the assignment, the following auditing standards are relevant:

- ASA210 Terms of Audit Engagements
- ASA220 Quality Control for Audits of Historical Financial Information
- ASA230 Audit Documentation
- ASA250 Consideration of Laws and Regulations in an Audit of a Financial Report
- ASA300 Planning an Audit of a Financial Report
- ASA315 Understanding the Entity and its Environment and Assessing the Risks of - Material Misstatement
- ASA320 Materiality and Audit Adjustments
- ASA330 The Auditor's Procedures in Response to Assessed Risks
- ASA520 Analytical Procedures

### **Hints and Tips**

1. You are required to plan the audit using only information that is publicly available. That is, you only use the information that is published by the entity either on its website or printed materials.
2. You must download and use the pro-forma document on VU Collaborate.
3. In identifying significant accounts, you are advised to use analytical procedure – simple comparison to identify five (5) accounts most at risk of being materially misstated.
4. When making preliminary judgements about materiality levels and developing preliminary audit strategies for significant assertions, you are required to consider the Income Statement, Balance Sheet and the notes.
5. To calculate materiality level for this audit assignment, you are advised to calculate 0.04% of the total revenue account balance, i.e. 0.04% of total operating revenue of \$699.2 million = \$699.2 million x 0.0004 = \$279,685.
6. In considering what can go wrong for each of the five (5) accounts selected, you must assess the audit risk for each of those accounts using the audit risk model.
7. Quoting directly from textbooks and reports will increase the similarity index. Quoting without proper referencing will also increase the similarity index. As this assignment requires you to use auditing theory to prepare a document for a real-life organisation, quoting from textbook does NOT meet the requirements. Students are advised to prepare their own document.
8. VU Collaborate has the facility to report on whether your assignment is copied from other sources. Penalty of four (4) marks may apply for poor presentation. Serious breaches will be reported to the disciplinary panel.
9. Submit your assignment early. A penalty of two (2) marks per day applies to late submission.
10. If you want to remove the previous version of the assignment on VU Collaborate, submit a blank assignment or a new version.