**Assessment Type:** Case Study Assignment

**Purpose:** This assessment will allow students to demonstrate their understanding of auditing standards, procedures and techniques, how they are applied in organizational situations and the implications for stakeholders. The group nature of this assessment will allow students to further develop their team working skills.

**Task Details:** Student needs to analyze the specific information provided, and respond to the questions set. The student should then present his/her analysis and solutions in a **professionally formatted short report. It must be in 2000 words.** References, title page are not included in the 2000 words.

**Research requirements:** Students need to support their analysis and solutions or recommendations using the current Australian Auditing Standards, the text and a **minimum of fourteen (14)** suitable, reliable, current and academically acceptable sources. **Harvard – Anglia Style** referencing must be use.

**Marking Guide:** Research – extent and application - 20%

Analysis - 30%

Recommendations/conclusions - 40%

Presentation - 10%

ASSIGNMENT Worth 20%  
  
  
Question 1 (8 marks)   
  
The following are a number of different situations where there may be violations of the ethical   
principles .You are asked to state whether there has been a violation of the Accountants Code of Ethics and state which ethical principle has been violated briefly providing a reason for your opinion:  
  
(a) Peter Harmon , professional accountant, does the bookkeeping, prepares the tax returns and provides various management services for Bunker L td .When providing these services it frequently advises its clients to buy its computer equipment from Computer Services Ltd. Computer Services has agreed to pay Harmon a 10% commission if the referral leads to sales for Computer Services .  
  
(b)David Smith, an auditor, was asked by Allied Insurance, for its help in finding clients. David Smith subsequently referred ten clients to the insurance company without letting them know.  
  
(c) Wrench and company, Chartered Accountants, keeps details of its clients in its computer records   
at its office .Since it also has time available it will allow its clients to use its computers if they require   
them. If necessary Wrench will arrange for members of its staff, mainly administration but sometimes   
from the audit branch to assist with the input of data for these clients. The staff from the Audit section can be involved in the audit of clients, depending upon the Audit Partners requirements.  
  
(d) Stephanie Barry has an audit client, Williams Pty Ltd, which uses another public accountant for  
its management services work. Barry sends her firm’s literature regarding its management services capabilities to Williams on a monthly basis, unsolicited.  
  
(e) Katrina Ng is a manager on the audit of a not for profit entity. She is also a member of the Board of Directors for the not for profit entity, but the position is honorary and does not involve her acting  
in a management capacity for the not for profit firm.  
  
(f) Peter Beattie , a public accountant , provides tax services, management advisory services, bookkeeping services and conducts audits for the same client .As the firm is small the same person frequently provides all the services .  
  
(g) The Hornsby Auditors, have taken advertisements in the local newspaper with a bright colourful full page pictures of the staff and giving details of their being the top auditors in the district compared to other auditors and their ability to help clients get higher tax deductions than all others   
in the district.  
  
(h) David Cheadle conducted an audit of Nestree Ltd for the year ended 30 June 2015 .David has just started his audit of Nestree for the year ended 30 June 2016 .The audit fees for the year ended 30 June 2015 have not yet been paid .

Question 2 (12 marks)

Indicate the type of opinion that should be expressed in each of the following situations, providing reasons for your choice.  
  
(a) The auditor was unable to obtain confirmations from three of the client’s major customers that   
were included in the sample .The auditor was able to satisfy himself about the balances of these accounts using other audit procedures.   
  
(b)The client restricted the auditor from observing the property, plant and equipment .The property, plant and equipment is a material part of the assets making up 20% of total assets.  
  
(c) Management have excluded from the financial report the necessary disclosures in relation to  
a contingent liability .If this becomes an actual liability it will have a material effect on the financial   
report.

(d) A significant proportion of a retailer’s sales are on a cash basis and inadequate records have been maintained. There are no audit tests that can be done to assure yourself that cash sales are accurate.

(e)You have been asked to do the audit for a new client this financial year .While you are satisfied that there appears to be no material misstatements for the information during the current financial year the client will not provide any information about the opening balances of accounts at the start of the financial year.  
  
(f) You have just started auditing the financial statements of a client which has not been following  
the Australian Accounting Standards since it began operating five years ago.   
  
(g) A client has been using the LIFO method of accounting for inventory which is disallowed under  
the Australian Accounting Standards. This has had a material effect on the financial statements  
however its effect is currently limited to the effect on the Inventory value.  
  
(h) The auditor of Numark has just completed the audit and is satisfied that there are no material misstatements however the client’s continuation as a going concern is in extreme doubt as its major  
customer has gone into liquidation and it appears very unlikely that other customers will take its place due to the highly specialised nature of its products.