# Executive Summary

 Smackey Dog Foods, Inc, created by sisters, Kim, Jillian and Sarah was a private start-up company that began in a kitchen in Chicago, IL. All sisters were active participants in the business and held key roles. Sarah was an effective president and general manger with a talent for growing the business. Production, inventory and shipments were run by Kim. Lastly, Jillian was in charge of sales. The business grew rapidly, distribution was no issue and demand dictated that additional staff be hired.

 After a successful year, a second division, Best Boy Gourmet was created. This division differed in that it was a specialty one serving dog food made fresh to be consumed in no more than three days. Being a specialty product, it had to be ordered through the website, demand was high and the product yielded three times the profit of the original product. The drawback of the new product was the high amount of waste.

 With the continued success and growth of the business Sarah meets with the bank to obtain financing a second loan in the amount of $150,000. The loan would be financed by account receivables and used to expand facilities and equipment. The original loan was for $150,000 and was secured by the company’s industrial-size production equipment that was purchased using the funds.

# Worksheet for You Decide

Name \_\_\_\_\_\_\_\_\_\_\_\_ Course Code \_\_\_\_\_\_\_\_\_ Grade \_\_\_/ Date\_\_/\_\_/\_\_

**Questions:**

**Q1**: Discuss how the SEC has influence (if any) over the audit of Smackey Dog Foods, Inc.

**Solution:**

Type your answer here

**Q2**: Discuss the essential activities involved in the initial planning of an audit. How do these all specifically to the Smackey Dog Food client?

**Solution:**

Type your answer here

**Q3**: Discuss the 4 stages of the audit and the major activities performed by the auditor in each phase. Give an example of how each of these specifically applies to the Smackey Dog Food, Inc audit. For instance, examine the apparent internal control weaknesses and possible negative outcome of each.

**Solution:**

Type your answer here

**Q4**: Describe Keller CPAs’ responsibilities related to communications regarding internal control matters. What internal controls issues do you identify?

**Solution:**

Type your answer here

**Q5**: You decide that you will address Smackey Dog Food, Inc.’s accounts receivables through confirmations. Discuss the various types of confirmations and what forms you will implement and why.

**Solution:**

Type your answer here

**Q6**: What are the major factors affecting sample size for confirming accounts receivable?

**Solution:**

Type your answer here

**Q7**: A major issue in verifying the ending balance in property, plant and equipment is the possibility of legal encumbrances. Discuss what specific concern do you have. Describe the procedures your firm will perform to obtain evidence about existing legal encumbrances.

**Solution:**

Type your answer here

**Q8**: The client wants to know if you will be present at the year-end inventory. What is your decision and why? What role or actions will you take at the inventory if you decide to attend the inventory. Why?

**Solution:**

Type your answer here

**Q9:** Considering the general six functions that make up the inventory and warehousing cycle for Smackey Dog Foods, Inc., identify the related documents and/or records that would be used. From your analysis of the internal controls related to the inventory and warehousing cycle of Smackey Dog Foods, Inc., what internal control weaknesses exist?

**Solution:**

Type your answer here

**Q10**: Discuss if Keller CPAs or its auditors are breaching any Professional Rules of Conduct and why or why not?

**Solution:**

Type your answer here

**Q11**: Discuss the CPA firm’s legal liability concerns for this audit if they make a material unintentional or intentional mistake. Include any other legal liability concerns regarding possible Professional Rule violations.

**Solution:**

Type your answer here