



SCHOOL OF ACCOUNTING

ASSIGNMENT COVER SHEET
(Individual) Semester 1, 2017

<u>Surname</u>	<u>Given Names</u>	<u>Student ID No</u>
Student details: (Please print clearly) _____		
Unit Name: Intermediate Auditing 5002		
Name of Tutor: ___Glenda Scully/Elnaz Vafaei_____		
Location: circle : Bentley/ Online		
Assignment Number and/or Name: _____		
Due Date: _____ Date submitted: _____		

The assignment should meet the following requirements:

1. Assignment is submitted on A4 size paper and is neatly collated.
2. About details are fully completed and legible
3. Pages have been firmly stapled
4. A copy has been retained by each student.
5. Turn-it-in report attached

Plagiarism

Plagiarism occurs when the work of another person, or persons, is used and presented as one’s own, unless the source of each quotation or piece of borrowed material is acknowledged with an appropriate citation.

Encouraging or assisting to commit plagiarism is a form of improper collusion and may attract the same penalties. The University regards very seriously any acts of cheating, or dishonesty by way of plagiarism. There is a range of penalties which may be imposed on a student for academic dishonesty, ie plagiarism.

Declaration: Except where indicated, the work contained in this assignment is my own work and has not been submitted for assessment in another unit or course.

Signature of Student: _____

OFFICE USE ONLY		
Date Received: _____		
Date Marked: _____	By whom: _____	Mark/Grade: _____
Marker’s Comments:		

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ASSIGNMENT RECEIPT – PROOF OF SUBMISSION (to be completed by student):

Name of Student: _____ Student ID No: _____

Names of Lecturer: _____ Received by: _____

Unit: _____ Date received: _____

INSTRUCTIONS

Both cases should be completed using the table formats shown below. A maximum word limit for the assignment in total (that is Case 1 and 2 together) is 1400 words. Please note point form responses are acceptable. Excessive responses will not be assessed. All answers must be typed and submitted by the due date with the completed cover sheet. Hard copies must be submitted to the School of Accounting office or FOR ONLINE STUDENTS ONLY Soft copies of solutions can be submitted to the unit co-ordinator at g.scully@curtin.edu.au with word count provided and must be received by the due date and time with the cover sheet attached. Please note all work submitted must include a Turnitin report.

CASE 1

Your client, MB Limited (MB), operates brewery and bottling plants in various locations around the world. Each country has a Regional Processing Centre (RPC), which acts as the accounting and administrative centre for that country. Each country prepares financial data and summarises the information into a standardised package format. This package is submitted to head office in Perth on a monthly basis. Material balance sheet items consist of inventories, trade receivables, trade payables, brand names and property, plant and equipment. It is February 2016, you are currently planning the June 2016 audit and have the following information. Each situation is to be considered independently:

- A. Civil unrest in Country X makes it impossible for branch auditors to visit the RPC to carry out audit procedures on your behalf. Due to a communications blackout, you are unable to ascertain whether the RPC is still functional. Country X contributes approximately 8 percent of MB's turnover.
- B. Senior management has been engaged in high-level discussions with a major competitor, L Limited, with the view to establishing a joint venture operation in the UK. The joint venture agreement, signed in early February, states in part:
 - 'MB agrees to close down its current operations in the United Kingdom within one year of the agreement being signed.' (These operations currently contribute 4 percent of total net profit.)
 - 'MB agrees that two of its six directors will be seconded to the joint venture for two years to oversee its operations.' (This will involve the directors moving from Australia to the United Kingdom.)
- C. Brand X beer comprises 30 percent of total revenues. A recent Brand X beer tasting festival in Europe ended with hundreds of people being taken to hospital with severe stomach cramps. The problem is believed to relate to contamination of an ingredient used in the beer. This ingredient is produced centrally in Sydney and distributed to all the breweries for use in their manufacturing operations.
- D. New environmental laws introduced in Australia during the year have imposed the following statutory accounting regulations on the Australian operations of MB:
 - The 'cost' of waste discharges into waterways must be charged as an expense, to reflect the reduced quality of the water post-discharge.

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- The 'value' of any waterways situated on company property must be taken up as an asset. The waterways must be amortised as detailed above. The value of the waterways will not be allowed to fall below 70 percent of their original value.

Required: For each independent situation provide:

A) the effect on the audit plan, and (5 marks each)

B) the nature and extent of audit evidence needed must be considered. (8 marks each)

(Total Marks 52)

Please set your work out in a table as follows (maximum word count 600 words):

	Effect on Audit plan	Nature and extent of audit evidence	Marks allocated (examiner use)
A)			
B)			
C)			
D)			

CASE 2

You are the audit senior on the Busplus Limited (Busplus) audit and have commenced planning for the 2016 audit. You have been able to obtain the following information concerning various segments of the business:

A. INVENTORY BALANCES AND PURCHASE TRANSACTIONS

Although fairly voluminous, purchase transactions at Busplus are not complex. Inventories are tightly controlled so that overstocking and obsolescence are normally not a problem. Inventory, although not as liquid as cash, is subject to theft. At Busplus, finished packaged products are shipped immediately to customers, although large quantities of purchased merchandise are maintained on hand. The personnel handling purchases and inventory transactions are, in general, competent. Access to the warehouse is unrestricted.

B. TRADE RECEIVABLES AND CREDIT SALES SYSTEM

These transactions are not particularly complex at Busplus, nor (except for the allowance for doubtful debts account) is there any degree of estimation involved. The persons processing revenue and trade receivables transactions are thoroughly familiar with the procedures and are generally competent. Sales transaction processing does, however, entail the completion of many transactions. Competition from overseas is becoming an issue, and because of the poor general economic conditions some customers have requested extensions of time to pay.

C. PROPERTY, PLANT AND EQUIPMENT (PPE)

There are generally few fixed asset transactions. The transactions are often not complex but an element of risk can be introduced when management has to make decisions concerning whether to capitalise or expense items. PPE, being less liquid than other assets, are generally not subject to theft. In recent years a number of PPE items have been manufactured in-house. You have noticed as a result of your analytical procedures, that repairs and maintenance expense has dropped considerably in the last two years. Asset registers are maintained, and staff are generally competent.

D. TRADE PAYABLES TRANSACTIONS AND BALANCES

Although not complex, the volume of trade payables transactions is quite high. There is a risk with trade payables balances that personnel may fail to record them in the books as the company has applied to the bank for an increase in its overdraft and wants to impress the bank with a strong current ratio. At Busplus a request form is first prepared for all items that are to be paid through the cash disbursements system. The previous trade payables clerk, who had been with the company for eight years, left in December 2015. A new clerk was hired but is not yet thoroughly familiar with the procedures.

Required:

For each of the above account balances and classes of transactions:

1. Determine any significant audit risks with reference to the relevant facts; (4 marks each)
2. Identify the key assertion at risk (as per ISA/ASA 315); and (2 Marks each)
3. Outline two appropriate audit procedures to test the assertion you identified in Part 2. (6 marks each)

(Total marks 48)

Please set your work out in a table as follows (maximum word count 800 words):

Significant audit risks	Key assertion	Audit procedure	Marks allocated (examiner use)
A)			
B)			
C)			
D)			