

ACC3AUD AUDIT ASSIGNMENT- SEMESTER 2, 2017

Department of Accounting

La Trobe University

AUDIT RISK & PLANNING (20% of overall subject assessment)

You are part of the audit team required to prepare a report to the senior partners of your auditing firm. This report will be used as part of the information provided to the audit team.

You and your colleagues have been assigned to prepare a report based on your research of Billabong International Limited (Billabong). Assume that this is the first time that the audit will be conducted by your audit firm, La Trobe Partners. The report must cover the areas detailed below. This will require extensive research and critical analysis of the annual reports and any other information that you have obtained.

<http://www.billabongbiz.com/phoenix.zhtml?c=154279&p=irol-irhome>

In your report you must address the following issues:

1. Provide an overview of the client's business and industry in which it operates. The overview must include a discussion on recent developments. (5 marks)
2. What are the significant business and/or audit risks for Billabong? You need to explain at least FIVE (5) risks. DO NOT DISCUSS THE AUDIT RISK MODEL. (7.5marks)
3. Referring to the financial statements for 2016

- Calculate and comment on the listed ratios below. Your comments must also include a comparison with the Industry figures.

- Ratio Summary Table

Ratio	2015	2016	Industry
i. Current ratio			2
ii. Debt-to-equity ratio			1
iii. Gross Profit Margin			60%
iv. Inventory turnover			4 times
v. Trade Receivables turnover			6 times

(10 marks)

4. Material misstatements

- Based on your ratio calculations and assessment of the client's business and audit risks, identify 5 areas of risk of material misstatement in the financial statements.
- Explain why these particular areas are risky. (7.5 marks)

5. Going concern

- Given the financial results and based on the information you have gathered, is there a potential going concern issue? Explain. (5 marks)

6. Social Responsibility

- You have also been requested to research the company's social responsibility information and provide a summary in your report. As part of the audit engagement, would you recommend an external assurance for the Sustainability Report? Explain.

(5 marks)

Grand total/40 marks

Final mark/20 marks

Submission details

The report must be completed in groups of three (3). Word count: 3000 words

The assignment must be submitted via LMS (Turnitin) by Wednesday September 13, 2017, 5pm.

Presentation Requirements

The assignment must be presented in the following format:

- The cover sheet must include the subject code, report title, date, student names, student ID and workshop details of each student.
- Table of contents.
- Executive summary.
- Main body of the report (This must cover sections 1 to 6 inclusive as outlined above).
- Conclusion
- References.

The total word count should be 3000 words (additional words are permitted for attachments, appendices and references). Please use size 12 font; 14 or 16 font may be used for headings only; double spacing between paragraphs and each page must be numbered.

Please use appropriate references for resources used including accounting and auditing standards; regulations; and the Corporations Act 2001 etc.

Failure to meet the above format and presentation requirements will incur a 5 mark penalty.

Late Submission

Late submission of the assignment will attract a penalty of 5% of the marks for the assignment (20) per day according to the University policy. Please refer to the Subject Learning Guide for details.