

	A	B	C	D	E	F	G	H	I	J	K	
1	1)											
2												

- Disciplinary procedures from ICAEW
- Legal procedures from the client
- loss of reputation
- Loss of license

	A	B	C	D	E	F	G	H	I	J	K	
1	2)											
2												

- In case that it becomes incorporated and large enough to require an audit, there would be prior year data
- Easier to obtain financing from the bank if audited statements are available
- There is more reliance on the FS if they are audited.
- investors may be more prone to invest.
- Audit can find weaknesses in controls at an earlier stage

	A	B	C	D	E	F	G	H	I	J	K	
1	3)											
2												

- Obtain letter of rep to ensure that all related parties are known (no shadow management and easier to identify transactions that relate to management)
- Perform know-your-client procedures to assess management integrity
- Assess the internal controls in place e.g. segregation of duties

	A	B	C	D	E	F	G	H	I	J	K
4)											
	<ul style="list-style-type: none"> • Conflict of interest as Swale is a competitor • Swale will have to disclose the company's data which would breach confidentiality. • If audit opinion is supposed to be adverse, the client may be committing fraud or money laundering. Requesting permission to disclose data to us would tip off client • Swale has indicated their opinion which may sway our opinion. They should have refrained from disclosing their opinion. 										

	A	B	C	D	E	F	G	H	I	J	K
1 5)											
2	<p>Although it comes from a third party, the email is not very reliable as it can be forged and cannot be signed. Aire Ltd should obtain a signed letter of support stating that Sunwac is willing to cover all expenses of Aire for the next 12 months in order to be able to prepare the FS on a going concern basis. Should obtain Sunwac's audited FS in order to see if Sunwac would be able to cover the expenses.</p>										

	A	B	C	D	E	F	G	H	I	J	K
1 6)											
2	<p>Because Nidd is a listed company, Sue should be rotated after 5 years and not return until another 5 years elapsed, however due to the major change in the structure of the business, Sue would be allowed to stay another 2 years but not more than 7 years in total in order to if the firm agrees that it is necessary in order to safeguard the quality. However, it is necessary to ensure that there are no other partners that have the experience or knowledge who can replace her in the engagement</p>										

	A	B
1	7.1)	
2	<ul style="list-style-type: none"> • Obtain permission from client to communicate with prior auditors. Prior auditors are bound by confidentiality and both prior and new auditors are required to obtain client's permission before disclosing personal data. • If permission is not obtained, then consider withdrawing from engagement as the management integrity becomes doubtful, especially since the prior auditors did not elect for reappointment. • If permission is obtained, write to prior auditors to inquire whether there is any reason as to why you should not accept the new appointment. If there are no issues, accept appointment, otherwise you need to consider the implications that acceptance may have e.g. intimidation threat if the management is aggressive, questionable management integrity, unpaid fees. • Consider the safeguards that are needed to be put into place. 	
3		

4	7.2)	
5	Justification	Procedures
6	Newly appointed, may not have the skill or expertise in the company's field which is likely to be highly regulated. Additional deadline increasing the detection risk of non-compliance.	Review regulation requirements for scientific instruments.
7	Newly appointed, cannot be sure that opening balances are not misstated	Review prior auditors' working papers and Recalculate opening balances
8	The instruments are sold around the world. This gives rise to operating risk as there could be different markets which may be more volatile. Also it is possible that the sales across borders may require compliance with additional regulations .	Obtain breakdown of sales per country. Review regulations of listed countries and inquire management about how they ensure compliance with regulations.
9	Order placement is made online from the catalogue which is updated yearly. Possibly different values in catalogue and stock valuation.	Select a sample and ensure that the amounts that have been changed are in line with stock valuation.
10	Agreed contract with LEL with possible agency fees. Income may be accounted for in incorrect period or written net of agent fees.	Obtain current contracts and ensure that the agency fees are included as expenses and income is included gross and there is correct transfer of deferred income to income.
11	Trade receivables day have increased from 31 to 45 days, which are both above the 30 day requirement. This may cause problems with liquidity. The client withholding payment that is above £627,000 which means that it is material to revenue.	Inquire management whether the increase in TR days is due to the customer withholding payment. Obtain an aged list of trade receivables. Inspect correspondence between customer and client to see if there is threat of litigation. Inquire with management whether it
12	Suppliers are paid in local currency. May cause translation errors.	Reperform exchange difference calculations. Match exchange rate used to a trustworthy third party provider.
13	System components are assembled so work in progress may be incorrectly calculated as it is judgemental.	Inquire with management the method used to allocate overheads and value work in progress. Reperform calculations. Test cost accounting system with sample data. Match timesheets to labour costs.

12		
13	System components are assembled so work in progress may be incorrectly calculated as it is judgemental.	Inquire with management the method used to allocate overheads and value work in progress. Reperform calculations. Test cost accounting system with sample data. Match timesheets to labour costs.
14	Year end inventory check not done. Risk of misappropriate expensive components or broken stock that has to be written down.	Perform a year end stock count or attend the earliest stock count and reconcile sales and purchases that happened after.
15	Weekly valuation and aged inventory. some inventory may be obsolete or have a lower NRV. Especially since the inventory turnover days increased from 47 to 76.	Observe the stock to ensure that it exists and is in good condition and still sellable. Inquire management whether the valuation is reasonable.
16	New supplier, higher cost. May be incorrectly recorded in cost system.	Check that the cost of the new components is correctly recorded.
17	Application for bank loan. may want to have a good balance sheet position	Ensure that the inventory is correctly valued.
18	Exceeded reorder limits. possible loss of value of inventory as it waits, higher costs.	Obtain management representations to ensure all transactions disclosed.

58	7.3)	
	<p>a) Sales staff amends prices based on oral authority. Amounts in costing system may not match catalogue. There is no proof of change of price so staff can change price at will and claim they were told to.</p> <p>Have the sales director sign for the change in price. Have staff sign for the change in catalogue. Have another member of staff check costing system against catalogue.</p> <p>b) No bribery prevention policies. Chief buyer may have exceeded purchase limit with a bribe. Staff may unknowingly accept or offer bribes.</p>	
59	Bribes to foreign officials are illegal. May ruin reputation of company.	<p>Create and train staff on bribery policies. Register with appropriate regulator. Enable safe and easy whistleblowing procedures. Ensure that the management and senior staff have an appropriate attitude towards bribes.</p>
60		
61	7.4)	
62	Self-interest and familiarity threat. The gift is too high and should not be accepted. There is a risk that the staff may have impaired judgement in the case of such gifts. It could also be considered a bribe which is illegal. A small gift would have been acceptable if it was available to all the rest of the staff	
63		
64		

	A	B	C	D	E	F	G	H	I	J	K
1	8.1)										
2	A)										
3											
4											
5	B)										
6	<p>Moderate level of assurance is a limited assurance engagement where the practitioner reduces the engagement risk to a level that is acceptable in the circumstances. it involves a negatively formed opinion " Nothing has come to our attention". since cashflow forecasts are possible predictions of the future and contain a large amount of management's judgement, we cannot for certain get enough proof that this will be for certain (limited scope) and therefore cannot give a higher level of assurance.</p>										
7											

8	8.2)										
9	<p>(1) Receipts from ticket sales</p> <ul style="list-style-type: none"> • Increased receipts in sale price due to increased seat capacity of 5% and higher ticket price amounting to 10% for 10 cinemas in 2020 and for all 20 in 2021. • Decrease in receipts from tickets for 2 cinemas in july 2018. <p>(2) Payments for the conversion of cinemas, new seating and project management fees</p> <ul style="list-style-type: none"> • Payment for 10 multiplex conversions in 2019 and another 10 in 2020. • The cheapest tender for the conversion as a payment for the conversion. <p>(3) Proceeds from the sale of the two cinemas</p> <ul style="list-style-type: none"> • Payment for change of use of site. • Receipt of payment from developer. Check contract. <p>(4) Payments to the film distribution company</p> <ul style="list-style-type: none"> • Payments for 10 cinemas starting in April 2020 and payments for the other 10 cinemas starting in april 2021 • Increased amount of screens mean increased amount of movies and ticket sales. Increased payments to supplier on aforementioned dates as more movies are shown and higher ticket receipts expected. <p>(5) Payments to employees</p> <ul style="list-style-type: none"> • increase in payments to staff to watch the extra screens but fewer once the conversions are complete. • Decrease in payments to staff when 2 cinemas are sold • Redundancy payments. Check payroll. Match to amounts. <p>(6) Receipts from and payments to the bank.</p> <ul style="list-style-type: none"> • Receipt from the bank covering the conversion cost in the first year. 										

