

ACC621 Assignment – Semester 2 2018

Weighting: 25%

General information about the assignment

The assignment **must** be your own individual work; i.e. it is **not** a group assignment. If it is believed that a student has copied material from another student or any other source without appropriate referencing, the necessary action will be taken under the University's *Student*

Therefore, it is critical that you provide complete referencing for any sources of information you use in preparing your assignment. This includes both in-text references and a list of references. Referencing should be in accordance with USC's guidelines for Harvard referencing.

The assignment should only be submitted electronically via Safe Assignment on the course Blackboard site. To explain the circumstances and attach any necessary supporting documentation. Late penalties will be applied for assignments submitted after 5pm on the due date without an approved extension. More details on late penalties are provided in the course outline.

The stated total word count is 1,600 words. However, assignments between 1,400 and 1,800 words in length will be considered acceptable.

Background:

You are an intermediate member of your firm's audit team and the audit partner has asked you to assist with the planning stage of the audit for a small client. You have access to the preliminary trial balance for the client and would like to use this to identify accounts that are likely to require significant audit attention. To access the trial balance for your client, open the document named 'Trial balances for task 2' and follow the directions to the appropriate worksheet.

Your task:

Prepare a report for the audit senior, which addresses the 5 issues below.

1. The audit partner has suggested that the preliminary assessment of materiality for the financial report as a whole be set at \$15,000. Comment on the appropriateness of this figure for your client. Provide evidence to support your view. Include a brief discussion of the effect that changing the preliminary assessment would have on the audit budget.
2. Prepare an analytical review (in the form of a trend analysis) using the income statement items from the trial balance. *Note: Present your analysis in table format; comments on the results are not required for requirement 2.*

3. Use the trend analysis to identify 4 income statement accounts that appear to be at-risk of material misstatement. Provide justification for why these accounts should be subjected to significant audit testing. In your explanations, identify an assertion that is likely to be at-risk for each account (i.e. identify 1 assertion per account; 4 in total).
4. For each account and assertion identified in requirement 3, design and describe an audit procedure that would provide relevant evidence for this (i.e. describe 1 procedure for each account; 4 procedures in total). *Note: you need to explain the procedures in your own words with as much detail as possible (for example, if applicable, identify the sampling frame and specific documents required for your procedure).*
5. The audit partner has suggested that fraud risk should not be considered for this client, as he feels that the client's staff are all very trustworthy. Comment on the appropriateness of the audit partner's suggestion. Identify whether there are any indications of fraud evident in the analytical review.

Your report must be presented in business report format and include referencing consistent with Harvard referencing (*see additional guidance on Blackboard regarding appropriate report format and referencing format*).