Answers
## Section A

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**Notes:**

1. Audit procedure A describes reperformance, B is describing inquiry rather than confirmation and procedure C is describing recalculation.
2. Procedures A, B and D would be undertaken as part of the overall review of the financial statements. However, procedure C is undertaken when reviewing subsequent events occurring between the date of the financial statements and the date of the auditor’s report.
3. A is incorrect as it is not an inherent limitation of an internal control system; rather it is an internal control deficiency.
4. Statement 1 is incorrect as ISAs are issued by the International Auditing and Assurance Standards Board rather than the IASB who issue accounting standards. Statement 2 is incorrect as ISAs do not override local legislation.
5. Statement 1 refers to the use of analytical procedures at the final review or completion stage of the audit. Statement 2 refers to the use of analytical procedures to obtain substantive evidence during the fieldwork stage of the audit.
6. Procedure A gives assurance over existence and procedure C verifies valuation rather than completeness.
7. C is incorrect as the UK Corporate Governance Code states that no director should be involved in setting their own remuneration. Hence the non-executive chairman cannot set his own remuneration.
8. A and C are incorrect as they are tests of control for the payroll cycle rather than substantive procedures.
9. Statement 2 is not correct as if an event occurs after the financial statements are issued, the auditor has already signed the audit report and so is not able to now include a qualified opinion.
10. Where there is a significant change in ownership of the company, ISA 210 Agreeing the Terms of Audit Engagements recommends that a new audit engagement letter is sent to avoid misunderstandings.
11. A is incorrect as internal auditors are not required to be members of any professional body. C is incorrect as external auditors report to shareholders rather than those charged with governance. D is incorrect as internal auditors can be independent of the company, if, for example, the internal audit function has been outsourced.
12. Sequential numbering of invoices confirms the completeness of sales invoices, however, it does not give assurance that all goods despatched are invoiced. Agreeing invoices back to orders does not confirm that the goods have actually been despatched yet.
Section B

1  Ethical threats and managing these risks

   (i) Ethical threat
   Bethan Oak was the audit engagement partner of Willow Wands Co (Willow) for the last seven years and has recently rotated off the audit.

   It has been proposed that she should now become the independent review partner. This represents a familiarity threat as the partner will have been associated with Willow for a long period of time and so may not retain professional scepticism and objectivity.

   Willow has requested the previous engagement partner, Bethan Oak, attend audit committee meetings as a non-executive director of Willow has recently left.

   This represents a self-interest threat as the audit firm may be perceived as performing the role of management by attending these meetings and this threatens objectivity.

   A non-executive director of Willow has recently left and the management of Willow have asked whether the partners of Beech & Co can assist them in recruiting to fill this vacancy.

   This represents a self-interest threat as the audit firm cannot undertake the recruitment of senior management of Willow, especially as non-executive directors have a key responsibility in appointing the audit firm.

   The total fees received from Willow for last year equated to 16% of the firm's total income. The fees for this year have not been finalised, but it is anticipated that they could be greater than 16%.

   There is a potential self-interest threat as the total fees could represent a significant proportion of Beech & Co's income.

   Last year’s audit fee was being paid monthly, however, the last three months’ payments are outstanding.

   A self-interest threat can arise if the fees remain outstanding, as Beech & Co may feel pressure to agree to certain accounting adjustments in order to have the previous year and this year’s audit fee paid.

   In addition, outstanding fees could be perceived as a loan to a client which is strictly prohibited.

   The audit manager of Willow is leaving Beech & Co to become the financial controller at Willow. This represents a self-interest and familiarity threat as the audit manager is familiar with the audit plan which is to be adopted at Willow and he may also have commenced work on this year’s audit.

   A new audit manager should be appointed to Willow and any work already undertaken by the previous manager should be independently reviewed.

   In addition, it would be advisable to modify the audit plan so that the manager would not be overly familiar with the approach to be adopted.

   (ii) Managing these risks
   As Willow is a listed company, then Bethan Oak should not serve as the independent review partner for a period of two years. An alternative review partner should be appointed instead.

   The firm should politely decline this request from Willow, as it represents too great a threat to independence.

   Beech & Co is able to assist Willow in that they can undertake roles such as reviewing a shortlist of candidates. However, they must ensure that they are not seen to undertake management decisions and so must not make the final decision on who is appointed.

   Beech & Co should assess whether audit and non-audit fees would represent more than 15% of gross practice income for two consecutive years.

   If the recurring fees are likely to exceed 15% of annual practice income this year, additional consideration should be given as to whether the taxation and non-audit assignments should be undertaken by the firm.

   In addition, if the fees do exceed 15% then this should be disclosed to those charged with governance at Willow.

   Beech & Co should discuss with those charged with governance the reasons why the last three months' payments have not been made. They should agree a revised payment schedule which will result in the fees being settled before much more work is performed for the current year audit.

2  (a) Internal control components

   ISA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment considers the components of an entity’s internal control. It identifies the following components:

   Control environment
   The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity’s internal control and its importance in the entity. The control environment sets the tone of an organisation, influencing the control consciousness of its people.
The control environment has many elements such as communication and enforcement of integrity and ethical values, commitment to competence, participation of those charged with governance, management’s philosophy and operating style, organisational structure, assignment of authority and responsibility and human resource policies and practices.

**Entity’s risk assessment process**

For financial reporting purposes, the entity’s risk assessment process includes how management identifies business risks relevant to the preparation of financial statements in accordance with the entity’s applicable financial reporting framework. It estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to respond to and manage them and the results thereof.

**Information system, including the related business processes, relevant to financial reporting, and communication**

The information system relevant to financial reporting objectives, which includes the accounting system, consists of the procedures and records designed and established to initiate, record, process, and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities, and equity.

**Control activities relevant to the audit**

Control activities are the policies and procedures which help ensure that management directives are carried out. Control activities, whether within information technology or manual systems, have various objectives and are applied at various organisational and functional levels.

**Monitoring of controls**

Monitoring of controls is a process to assess the effectiveness of internal control performance over time. It involves assessing the effectiveness of controls on a timely basis and taking necessary remedial actions. Management accomplishes the monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities are often built into the normal recurring activities of an entity and include regular management and supervisory activities.

**Tests of controls**

Tests of control to assess whether the internal controls of Bonsai Trading Co are operating effectively or not are as follows:

- **Capital expenditure committee**
  - Select a sample of capital additions during the year and confirm through a review of the capital expenditure committee minutes that this purchase was authorised.
  - Review a sample of capital expenditure purchase orders for evidence of authorisation by the capital expenditure committee.

- **Serial numbers**
  - Select a sample of non-current assets on site, agree that a serial number is recorded on the asset and confirm it is included in the non-current assets register.
  - Inspect the non-current assets register and verify that there are no duplicated serial numbers.

- **Goods received note (GRN)**
  - Select a sample of GRNs, review to see if there is documentation of whether the item is of a capital or revenue nature, and confirm whether the GRN is initialled as reviewed by a responsible official. If the GRN is of a capital nature, agree it is included in the non-current assets register.

- **Review of assets**
  - Discuss with internal audit their programme of inspections; if there are any due to be carried out between now and the year end, a member of Poplar & Co should attend this review to observe the controls in operation.
  - Review internal audit reports and working papers for inspections undertaken earlier in the year for evidence the control operated.

- **Access to non-current asset register**
  - Attempt to access the non-current register using the password of a non-authorised individual.

3 **Audit reports**

**Palm Industries Co (Palm)**

(i) A customer of Palm’s owing $350,000 at the year end has not made any post year-end payments as they are disputing the quality of goods received. No allowance for receivables has been made against this balance. As the balance is being disputed, there is a risk of incorrect valuation as some or all of the receivable balance is overstated, as it may not be paid.

This $350,000 receivables balance represents 1·2% (0·35/28·2m) of revenue, 6·3% (0·35/5·6m) of receivables and 7·3% (0·35/4·8m) of profit before tax; hence this is a material issue.

(ii) A procedure to adopt includes:
  - Review whether any payments have subsequently been made by this customer since the audit fieldwork was completed.
– Discuss with management whether the issue of quality of goods sold to the customer has been resolved, or whether it is still in dispute.
– Review the latest customer correspondence with regards to an assessment of the likelihood of the customer making payment.

(iii) If management refuses to provide against this receivable, the audit report will need to be modified. As receivables are overstated and the error is material but not pervasive a qualified opinion would be necessary.

A basis for qualified opinion paragraph would be needed and would include an explanation of the material misstatement in relation to the valuation of receivables and the effect on the financial statements. The opinion paragraph would be qualified ‘except for’.

Ash Trading Co (Ash)

(i) Chestnut & Co was only appointed as auditors subsequent to Ash's year end and hence did not attend the year-end inventory count. Therefore, they have not been able to gather sufficient and appropriate audit evidence with regards to the completeness and existence of inventory.

Inventory is a material amount as it represents 21.3% (0.51/2.4m) of profit before tax and 5% (0.51/10.1m) of revenue; hence this is a material issue.

(ii) A procedure to adopt includes:
– Review the internal audit reports of the inventory count to identify the level of adjustments to the records to assess the reasonableness of relying on the inventory records.
– Undertake a sample check of inventory in the warehouse and compare to the inventory records and then from inventory records to the warehouse, to assess the reasonableness of the inventory records maintained by Ash.

(iii) The auditors will need to modify the audit report as they are unable to obtain sufficient appropriate evidence in relation to inventory which is a material but not pervasive balance. Therefore a qualified opinion will be required.

A basis for qualified opinion paragraph will be required to explain the limitation in relation to the lack of evidence over inventory. The opinion paragraph will be qualified ‘except for’.

4 Cherry Blossom Co’s (Cherry) purchasing system deficiencies and controls

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<td>Requisition forms are completed by production supervisors but are not authorised. This increases the risk of fraudulent purchases, or of goods being ordered which are not required, leading to unnecessary cash outflows.</td>
<td>Requisition forms should be authorised by the production manager or director prior to being sent to the purchase ordering department. This department should not process any unauthorised requisitions.</td>
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<td>Orders are being placed for goods without the inventory levels being checked first. This could result in goods being ordered which are not required, leading to unnecessary cash outflows.</td>
<td>The inventory system should be updated to record minimum/maximum required levels of raw materials. When completing the purchase order, the ordering clerk should check the current level of inventory on the system and only order if the quantity is within the set parameters.</td>
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<td>In addition, as the company does not currently monitor inventory levels, it could experience stock-outs resulting in the company being unable to meet customer orders.</td>
<td>The company should set minimum authorised reorder levels for inventory items.</td>
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<td>The purchase ordering department maintains an approved supplier list; however, this has not been updated for 24 months.</td>
<td>The approved supplier list should be reviewed and updated as necessary. Going forward, it should be updated regularly, at least on an annual basis.</td>
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<td>As this list has not been recently updated, the suppliers being used may not be ideal with regards to price, quality and delivery times. This could result in Cherry paying increased costs for raw materials or receiving poorer quality goods.</td>
<td>A copy of the authorised order form should be sent to the warehouse department. This should then be checked to the goods when received.</td>
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<td>Goods are being received without any checks being made against purchase orders. This could result in Cherry receiving and subsequently paying for goods it did not order.</td>
<td>Once checked, the order should be sent to the purchase ordering department and logged as completed. On a regular basis, an ordering clerk should review the order file for any outstanding items.</td>
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<td>In addition, if no check is made against the purchase order, then the company may have significant purchase orders which are outstanding, leading to loss of sales.</td>
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5 (a) Fraud responsibility

Maple & Co must conduct an audit in accordance with ISA 240 The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements and are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

In order to fulfil this responsibility, Maple & Co is required to identify and assess the risks of material misstatement of the financial statements due to fraud.

They need to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses. In addition, Maple & Co must respond appropriately to fraud or suspected fraud identified during the audit.

When obtaining reasonable assurance, Maple & Co is responsible for maintaining professional scepticism throughout the audit, considering the potential for management override of controls and recognising the fact that audit procedures which are effective in detecting error may not be effective in detecting fraud.

To ensure that the whole engagement team is aware of the risks and responsibilities for fraud and error, ISAs require that a discussion is held within the team. For members not present at the meeting, Sycamore’s audit engagement partner should determine which matters are to be communicated to them.

(b) Audit risks and auditors’ responses

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<td>Sycamore’s previous finance director left in December after it was discovered that he had been committing fraud with regards to expenses claimed.</td>
<td>Discuss with the new finance director what procedures they have adopted to identify any further frauds by the previous finance director.</td>
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<td>There is a risk that he may have undertaken other fraudulent transactions; these would need to be written off in the statement of profit or loss. If these have not been uncovered, the financial statements could include errors.</td>
<td>In addition, the team should maintain their professional scepticism and be alert to the risk of further fraud and errors.</td>
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<td>The new finance director was appointed in January 2015 and was previously a financial controller of a bank. Sycamore is a pharmaceutical company which is very different to a bank; there is a risk that the new finance director is not sufficiently competent to prepare the financial statements, leading to errors.</td>
<td>During the audit, careful attention should be applied to any changes in accounting policies and in particular any key judgemental decisions made by the finance director.</td>
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During the year, Sycamore has spent $1.8 million on developing new products; these are at different stages and the total amount has been capitalised as an intangible asset. However, in order to be capitalised it must meet all of the criteria under IAS 38 Intangible Assets. There is a risk that some projects may not reach final development stage and hence should be expensed rather than capitalised. Intangible assets and profit could be overstated.

Sycamore has borrowed $2.0 million from the bank via a ten-year loan. This loan needs to be correctly split between current and non-current liabilities in order to ensure correct disclosure.

Also as the level of debt has increased, there should be additional finance costs. There is a risk that this has been omitted from the statement of profit or loss, leading to understated finance costs and overstated profit.

The loan has a minimum profit target covenant. If this is breached, the loan would be instantly repayable and would be classified as a current liability.

If the company does not have sufficient cash flow to meet this loan repayment, then there could be going concern implications. In addition, there is a risk of manipulation of profit to ensure that covenants are met.

There have been a significant number of sales returns made subsequent to the year end. As these relate to pre year-end sales, they should be removed from revenue in the draft financial statements and the inventory reinstated.

If the sales returns have not been correctly recorded, then revenue will be overstated and inventory understated.

Surplus plant and equipment was sold during the year, resulting in a profit on disposal of $210,000. As there is a minimum profit loan covenant, there is a risk that this profit on disposal may not have been correctly calculated, resulting in overstated profits.

In addition, significant profits or losses on disposal are an indication that the depreciation policy of plant and equipment may not be appropriate. Therefore depreciation may be overstated.

(c) (i) Review engagements

Review engagements are often undertaken as an alternative to an audit, and involve a practitioner reviewing financial data, such as six-monthly figures. This would involve the practitioner undertaking procedures to state whether anything has come to their attention which causes the practitioner to believe that the financial data is not in accordance with the financial reporting framework.

A review engagement differs to an external audit in that the procedures undertaken are not nearly as comprehensive as those in an audit, with procedures such as analytical review and enquiry used extensively. In addition, the practitioner does not need to comply with ISAs as these only relate to external audits.

(ii) Levels of assurance

The level of assurance provided by audit and review engagements is as follows:

External audit – A high but not absolute level of assurance is provided, this is known as reasonable assurance. This provides comfort that the financial statements present fairly in all material respects (or are true and fair) and are free of material misstatements.

The finance costs should be recalculated and any increase agreed to the loan documentation for confirmation of interest rates and cashbook and bank statements to confirm the amount was paid and is not therefore a year-end payable.

Review the covenant calculations prepared by Sycamore and identify whether any defaults have occurred; if so, determine the effect on the company.

The team should maintain their professional scepticism and be alert to the risk that profit has been overstated to ensure compliance with the covenant.

Review a sample of the post year-end sales returns and confirm if they relate to pre year-end sales, that the revenue has been reversed and the inventory included in the year-end ledgers.

In addition, the reason for the increased level of returns should be discussed with management. This will help to assess if there are underlying issues with the net realisable value of inventory.

Recalculate the profit and loss on disposal calculations and agree all items to supporting documentation.

During the final audit, the goods received notes and goods despatched notes received during the inventory count should be reviewed and followed through into the inventory count records as correctly included or not.

Discuss the depreciation policy for plant and equipment with the finance director to assess its reasonableness.

A breakdown of the development expenditure should be reviewed and tested in detail to ensure that only projects which meet the capitalisation criteria are included as an intangible asset, with the balance being expensed.
Review engagements – where an opinion is being provided, the practitioner gathers sufficient evidence to be satisfied that the subject matter is plausible; in this case negative assurance is given whereby the practitioner confirms that nothing has come to their attention which indicates that the subject matter contains material misstatements.

6 (a) **Assertions for classes of transactions and events**

**Occurrence**
The transactions and events that have been recorded have actually occurred and pertain to the entity.

**Substantive procedures**
Select a sample of sales transactions recorded in the sales day book; agree the details back to a goods despatched note (GDN) and customer order.

Review the monthly breakdown of sales per key product, compare to the prior year and budget and investigate any significant differences.

**Completeness**
All transactions and events that should have been recorded have been recorded.

**Substantive procedures**
Select a sample of GDNs raised during the year; agree the sales invoice and that they are recorded in the sales day book.

Review the total amount of sales, compare to the prior year and budget and investigate any significant differences.

**Accuracy**
The amounts and other data relating to recorded transactions and events have been recorded appropriately.

**Substantive procedures**
Select a sample of sales invoices and recalculate that the totals and calculation of sales tax are correct.

For a sample of sales invoices, confirm the sales price stated agrees to the authorised price list.

**Cut-off**
Transactions and events have been recorded in the correct accounting period.

**Substantive procedures**
Select a sample of pre and post year-end GDNs and agree that the sale is recorded in the correct period’s sales day books.

Review the post year-end sales returns and agree if they relate to pre year-end sales that the revenue has been correctly removed from the sales day book.

**Classification**
Transactions and events have been recorded in the proper accounts.

**Substantive procedures**
Agree for a sample of sales invoices that they have been correctly recorded within revenue nominal account codes and included within revenue in the financial statements.

(b) (i) **Substantive procedures for supplier statement reconciliations**

- Select a representative sample of year-end supplier statements and agree the balance to the purchase ledger of Hawthorn. If the balance agrees, then no further work is required.
- Where differences occur due to invoices in transit, confirm from goods received notes (GRN) whether the receipt of goods was pre year end, if so confirm that this receipt is included in year-end accruals.
- Where differences occur due to cash in transit from Hawthorn to the supplier, confirm from the cashbook and bank statements that the cash was sent pre year end.
- Discuss any further adjusting items with the purchase ledger supervisor to understand the nature of the reconciling item, and whether it has been correctly accounted for.

(ii) **Substantive procedures for bank reconciliation**

- Obtain Hawthorn’s bank account reconciliation and cast to check the additions to ensure arithmetical accuracy.
- Agree the balance per the bank reconciliation to an original year-end bank statement and to the bank confirmation letter.
- Agree the reconciliation’s balance per the cash book to the year-end cash book.
- Trace all the outstanding lodgements to the pre year-end cash book, post year-end bank statement and also to paying-in-book pre year end.
- Trace all unpresented cheques through to a pre year-end cash book and post year-end statement. For any unusual amounts or significant delays, obtain explanations from management.
- Examine any old unpresented cheques to assess if they need to be written back into the purchase ledger as they are no longer valid to be presented.
(iii) Substantive procedures for receivables

- Review the aged receivable ledger to identify any slow moving or old receivable balances, discuss the status of these balances with the credit controller to assess whether they are likely to pay.
- Select a significant sample of receivables and review whether there are any after date cash receipts, ensure that a sample of slow moving/old receivable balances is also selected.
- Review customer correspondence to identify any balances which are in dispute or unlikely to be paid.
- Review board minutes to identify whether there are any significant concerns in relation to payments by customers.
- Calculate average receivable days and compare this to prior year, investigate any significant differences.
- Inspect post year-end sales returns/credit notes and consider whether an additional allowance against receivables is required.
- Select a sample of goods despatched notes (GDN) before and just after the year end and follow through to the sales ledger to ensure they are recorded in the correct accounting period.
- Select a sample of year-end receivable balances and agree back to valid supporting documentation of GDN and sales order to ensure existence.
### Section A

Questions 1–12 multiple choice  

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### Section B

1. Up to 1 mark per well explained threat, being \( \frac{1}{2} \) mark for identify and \( \frac{1}{2} \) mark for explain, and up to 1 mark for method of managing risk, overall maximum of 5 marks each for risks and managing of risks.  
   - Familiarity threat – independent review partner  
   - Self-interest threat – attending audit committee meetings  
   - Self-interest threat – recruitment of senior management  
   - Self-interest threat – overly reliant on fee income  
   - Self-interest threat – outstanding fees  
   - Self-interest/familiarity threat – manager leaving to join Willow  

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2. (a) Up to 1 mark per explained component, being \( \frac{1}{2} \) mark for identifying the component and \( \frac{1}{2} \) mark for an explanation.  
   - Control environment – governance and management function, attitudes awareness and actions of management  
   - Control environment – made up of a number of elements (need to list at least 2 to score 1 mark)  
   - Entity’s risk assessment – process for identifying risk  
   - Information system relevant to financial reporting – procedures and records to record an entity’s transactions, assets and liabilities and to maintain accountability  
   - Control activities – policies and procedures to ensure management directives are carried out  
   - Monitoring controls – assess effectiveness of internal controls  

   Note to markers: Please award credit for reasonable explanations of internal control components, even if not listed above.  

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   (b) Up to 1 mark per well described test of control. Maximum of 1 mark per type of internal control listed.  
   - Capital expenditure committee  
   - Serial numbers  
   - Goods received notes  
   - Review of assets  
   - Access to non-current assets register  

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3. Up to 1 mark per valid point, overall maximum of 5 marks PER ISSUE.  
   - Discussion of issue  
   - Calculation of materiality  
   - One audit procedure  
   - Type of audit report modification required, if any  
   - Impact on audit report  

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4. Up to 1 mark each per well explained deficiency and recommendation. If not well explained, then just give \( \frac{1}{2} \) marks for each. Overall maximum of 5 marks each for deficiencies and recommendations.  
   - Requisition forms not authorised  
   - No check on inventory levels pre placing order, unnecessary goods ordered or stock-outs  
   - Out of date approved suppliers list  
   - Goods received not checked to order  
   - Logging of invoices  
   - Invoices not agreed to goods received notes prior to payment  
   - Invoices not sequentially numbered  
   - Payment of invoices delayed to 60 days  

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5  (a)  Up to 1 mark per point.
   – Per ISA 240 – obtain reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error
   – Identify and assess the risks of material misstatement due to fraud
   – Obtain sufficient appropriate audit evidence
   – Respond appropriately to fraud or suspected fraud identified during the audit
   – Maintain professional scepticism throughout the audit
   – Discussion within the engagement team

   Marks

(b)  Up to 1 mark per well described risk and up to 1 mark for each well explained response. Overall max of 6 marks for risks and 6 marks for responses.
   – Fraud of previous finance director
   – Competence of new finance director
   – Treatment of capitalised development expenditure
   – New loan finance obtained
   – Completeness of finance costs
   – Loan covenants
   – Post year-end sales returns
   – Goods in and out during the inventory count
   – Profit on disposal of plant and equipment

   Marks

(c)  (i)  Up to 1 mark per well explained valid point.
   – Description of review engagements
   – Difference to external audit

   Marks

(ii)  Up to 1 mark per well described valid point.
   – Level of assurance of external audit
   – Level of assurance of review engagements

   Marks

Total: 20
6 (a) Up to 1 mark per assertion, ½ mark for stating assertion and ½ mark for explanation, max of 4 marks; up to 1 mark per relevant revenue substantive procedure, max of 4 marks.

- Occurrence – explanation and relevant substantive procedure
- Completeness – explanation and relevant substantive procedure
- Accuracy – explanation and relevant substantive procedure
- Cut-off – explanation and relevant substantive procedure
- Classification – explanation and relevant substantive procedure

(b) Up to 1 mark per well described procedure, overall maximum of 3 marks for supplier statement reconciliations, maximum of 4 marks for bank and maximum of 5 marks for receivables.

(i) Supplier statement reconciliation
- Select a sample of supplier statements and agree the balance to the purchase ledger
- Invoices in transit, confirm via GRN if receipt of goods was pre year end, if so confirm included in year-end accruals
- Cash in transit, confirm from cashbook and bank statements the cash was sent pre year end
- Discuss any further adjusting items with the purchase ledger supervisor to understand the nature of the reconciling item, and whether it has been correctly accounted for

(ii) Bank reconciliation
- Check additions of bank reconciliation
- Bank balance to statement/bank confirmation
- Cash book balance to cash book
- Outstanding lodgements
- Unpresented cheques review
- Old cheques write back

(iii) Receivables
- Aged receivables report to identify any slow moving balances
- Review the after date cash receipts
- Review customer correspondence to assess whether there are any invoices in dispute
- Review board minutes
- Calculate average receivable days
- Post year-end sales returns/credit notes
- Cut-off testing of GDN
- Agree to GDN and sales order to ensure existence