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**Mövzu 1: Audit and Other Assurance Engagements. Agency Theory**

1. What is statutory and non-statutory audit? Describe their advantages and disadvantages

2. Describe elemets of assurance engagements. Where relevant provide examples

3. Explain types of review engagements. What is difference between the types of review engagements?

4. Describe Agency theory and provide information about the reasons for agency problems

5. ISAE 3000 distinguishes between two forms of assurance engagement. Expalin these two forms of assurance engagements.

**Mövzu 2**: **Statutory Audit and Regulation**

1. Assasin Co is a company that operates in a manufacturing industry. Its financail year end 31 December 20X8. You are audit assistant in PWC and you are assigned to the audit engagement. During two consecutive years Assasin Co breached some regulatory rules and did not attempt to provide any corrections to this breach. Internal auditors warned management about some incompliances in the accounting records and they also believe that some accounts do not reflect true positon of company’s affairs. One of the direcotrs expressed its concerns about benefit provided at the year end and he thinks that it is not compliant with regulatory acts.

 **Required: Explain external auditor’s duties regarding to the facts described above**

1. You are assigned to the audit engagement team of Stark Industries that operates in technology and innovation industry. Per your audit assignment you have to obtain all relevant information for formulating overall aduit opinion. In the first periond of audit engagement you encountered with some difficulties in accessing to the accounting records. Accountant explained that they have to obtaing written confirmation from directors in order to authorize the access to the records. You(audit member) approached to directors on this issue, however directors said that they are very busy at the moment and cannot provide any written representation. At the end of the next day you heard that, directors organized meeting with staff relating to the business operations, without warning you.

**Required: Explain external auditor’s rights regarding to the facts described above**

1. You are ACCA Member and you have 15 years of professional experience in auditing and IFRS reporting field. Two years ago you established Internation Auditing Organizaton by attracting higly specialised and qualified individuals to your team. Main goal of your organizaton is investigation of countries with poor IFRS and Auditing Standards.

**Required: Explain how your organization may play major part and contribute to the countires with poor regulatory framework?**

1. Explain common elements of external audit affairs in detail.
2. Explain what do you understand from **“Eligibility to act as auditor”**

**Mövzu 3: Corporate Governance**

1. You are a senior consultant in training and certificaton company and your are going to cover Corporate Govenance issue in terms of audit and assurance engagementş One of the praticipant asked you about the principles of Coprorate Governance.

**Required: Answer the question about pricniples of Corporate Governance(remember OECD Principles)**

1. ATOM Co Ltd is operating in weapon industry and produces several weapons for the use of army. ATOM’s organizational structure consist from Board of Directors, Audit Committee, Finance Department, Internal Audit Department, and Procurement Department. Shareholders of the company have worries about the deteriorated company financial position in the last two years and asked Internal Audit Department to investigate reasons. Relating to the investigation below listed facts have come to the light:
* Members of the Board do not have clear division of responsibilities. Two of the Board Members do not participate in monthly meetings and do not have any contribution
* Members of the Board do not have any professional qualification and suitable experience for being member of Board. Internal Audit suspects that the appointment procedure of the Board Members is not transparent.
* There is no strategic plan prepared by the non-executive directors regarding to company’s risk assessment which resulted in ineffective response to market conditions
* Shareholders of the company are not provided with the suitable information regarding to the company’s financial position, so shareholders are in the position to decide whether invest or not invest in company

**Required: Explain the UK Corporate Governance Code principles that are breached regarding to the above statement and explain the how it can be solved.**

1. You are Internal Auditor of the Assasin Co which operates in toy manufacturing industry. After some investigation you wrote an official letter about the establishment of Audit Committe inside the company. Board of Directors organized meeting with you and they want you to explain benefits of establishing Audit Committe.

**Required: As an Internal Auditor explain benefits of establishing Audit Committe.**

1. Marvel Technologies Ltd operates in cell phone manufacturing industry where there is tough competition between key players of the market. Board of Directors organized meeting with new established Audit Committee and for delivering some facts about some incompliances in the company’s internal systems:
* Board of Directors have doubts the integrity, truth and fairness of financial statements. They think that Financial Controller manipulates company financials in order to get more benefits at the end of the year.
* Board of Directors have concerns about the internal control system. In the last two years company had signifcant problmes with cash theft and inappropriate empoyee behaviours. Additionally, market risk affected company adversely, where company lost 10% of its market share.
* Board of Directors are not satisfied with external audit engagement company as they think that their independency is under question

**Required: Explan main responsibilites of Audit Committees regarding to the facts described above**

1. Explain what matters have to be communicated with those charged with Governance.

**Mövzu 4: Professional Ethics and Quality Control Procedures**

1. State FIVE threats contained within ACCA’s Code of Ethics and Conduct and for each threat list one example of a circumstance that may create the threat.
2. You are an audit manager at KPMG and this year you are planning the audit of Tampliers Ltd which speacialises in textile industry.

During the year Financial Controller of the company resigned from the work and now there is no responsible person for preparation and controlling of financial statements. In order to fill this responsibility audit company has assgined one senior audit member to the company for fullfilling these responsibilites. Audit Manager noticed that this audit senior also will be included at year end audit engagement will help to the audit team.

Finance Director of the company said that in case of unmodified opinion, all audit staff member will be remunerated with new collection of clothes. Audit Manager feels fine with this offer and tries to finish audit engagement as soon as possible.

This year Tampliers Ltd plans to issue some shares to the public and asked Audit Manager to support him in this share issuance. Audit Manager approves this offer, will charge audi client with additional fees.

**Required: Explain ethical threats which may affect the independence of Jones & Co’s audit of Tampliers Lts. For each threat explain how it might be mitigated**

1. You are an audit partner of Nexia Audit and you are planning audit of Kmart Ltd, a chain of supermarkets in the nine regions of the country. You audit this company for ten years and also CEO of the company invited audit partner to his daughter’s wedding at the end of the week.

Audit assistant of the engagement team without warning audit partner wrote an official letter to the director, about defficiencies in internal control and reporting system and proposed his recommendations. The next day company director seized audit manager on this issue and threatened him previous wrongdoings. Audit Manager said that this issue will be solved and this year audit company will not charg any fees for audit engagement.

**Required**: **Explain ethical threats which may affect the independence of Jones & Co’s audit of Tampliers Lts. For each threat explain how it might be mitigated**

1. You are audit assistant in the audit engagement team, you are trying to get understanding about the entity’s operatinal environment. While checking the financials of the company, you identified that there are material transactions in the Revenue Section with heading “Other Transactions”. After investigating from external sources you found in the “New York Times” newspaper a statement: *“Retail Company suspended in the illegal drug transactions and public wants an expalanation”.* Audit assistant is thinking about what to do in this situtation.

**Required: a) Explain the confidentiality concept of Professional ethics and describe under which circumstances this concept can be breached**

 **b) Exlpain suitable steps for audit assistant per case above.**

1. **As an auditor to which ethical principles you have to compliant with? Explain each in detalı**

**Mövzu 5: Internal Audit**

1. You are non-executive director of the company and you are a member of Audit Committee. In the Annual General Meeting you proposed establishment of Internal Audit department. Shareholders have some doubts about establishing Audit Committee and now as a non-executive director you have to convince them.

**Required:1) Explain the factors that you need to consider while establishing Internal Audit**

 **2) As a non-executive director explain main advantages of creating Internal Audit Function**

1. Explain main differences between Internal and External Audit.
2. Arrow Company operates in juice manufacturing industry for ten years. You are junior internal auditor of the company and you are given task to conduct initial internal audit process in order to find any inefficiencies in the internal control system. Arrow Company operates VFM (Value for Money) environment and tries maintain this policy in its operation. During internal audit investigation you found out the following issues:
* Company purchases raw materials from external supplier for higher cost in which turns to highest product prices in the market. As a consequence, company loses its market share in the juice market. Also quality of the product suffers.
* Current year company used about 100,000 kg raw material to produce 60,000 kg juice. But last year these figures were better (75,000 kg material input and 80,000 kg output)
* Budgeted sales figures for the year was 150,000 AZN, but only 95,000 AZN sales were actually realized

**Required: Explain the main elements of VFM audits and figure out which elements of VFM are breached. Propose your own suggestions how to improve these elements.**

1. You are member of Audit Committee and you have meeting with shareholders in Annual General Meeting. You propose that company need Internal Audit Department for temporary internal control purposes. Shareholders insists that there is no need to establish Internal Audit Department, they can outsource this to external professionals.

**Required: Explain main advantages and disadvantages of outsourcing Internal Audit Function**

1. Directors of the company assigned you as a Chief Internal Auditor of the Internal Audit Department. Your employee has to investigate internal control processes of the company and findings have to be reported to directors by CIA. During internal audit work your employee found out issues that are described below:
* Company has problems in IT system relating to the preparation of financial statements. Accountants input figures to the system but further processing of the figures to the trial balance fails every time.
* All wages and statutory deductions are calculated only by payroll clerk. These figures are not reviewed and authorized by anyone.
* Company costs are high so that company cannot gain any competetive advantage in the market.
* During the year, two employees suspended in fraudulent financial reporting by changing adminstrative expenses and overstating profits.

**Required: Prepare Internal Audit Report to Shareholders and propose your recommendations on the issues described above**

**Mövzu 6: Risk Assessment**

1. Explain which attitudes auditors must demonstrate during audit engagement? Explain in detail
2. Strange Co, an audit company, audits DeadPool Co for the financial year end 31.12.2009. During the audit engagement, it has come to light that, all the costs regarding to the patent which developed by company was capitalized in the balance sheet of the company. The patent Project has begun on 01.12.2009 and only in August management decided that this patent will make economic benefits to inflow to the company. Monthly expenditure of this patent was 1,000,000 USD. At that time company’s total assets was 25,000,000 and Revenue was 15,000,000.

**Required:** Explain what is materiality concept, comment on the company’s materiality regarding to the above statement. Where suitable, compare materiality with appropriate benchmarks.

1. You are auditig Chester Ltd’s financial statements for the year ended 31 March 2008. Chester Ltd operates in FMCG industry and operates in ten locations over the world. The company had difficult year and directors of the company has some doubts the company’s future. The draft statement of profit and loss, and statement of profit and loss are described below:

**P&L Statement**

 **31 March 2008 31 March 2007**

Revenue 135,000 110,000

COGS 90,000 96,000

Admin Expenses 30,000 40,000

Interest 4,000 5,000

Net Profit 11,000 -31,000

**Balance Sheet Industry Ratios**

Cash 100,000 Current Ratio- 2.1

Inventory 55,000 Receivable Turnover in days-120

Receivable 63,000 Inventory Turnover in days- 150

Property 250,000

**Total Assets 468,000**

Current Liabilities 433,000

Equity 35,000

**Total Equity and Liability 468,000**

**Required:** **As a part of your risk assessment procedures perform analytical procedures on dratf statements and identify possible risk areas requiring further audit work.**

1. Explain the components of audit risk, for each component, state an example of a factor which can result in increased audit risk.
2. Dictator Co is manufacturing company that operates in all regions of Azerbaijan. It manufactures furnitures for low and middle level classes. Directors of Dictator Co want to introduce new reporting software which will enhance the reporting system. Becauae of the high cost of the software package, directors do not have intention to provide further training for employees. They think that, employees will learn it through the reporting process.

This year government announced that, company’s with good financial performance will get additional fund by government for the future investment projects. Directors of the Dictator are concerned about the company’s financial position because this year was challenging and company sold only 25% of its inventory. Directors have desire to get this funding from government and are thinking about a new strategy.

Recent years company had a receivable turnover problem, as they could not collect their receivables. Directors are sure these receivables will be paid back by the clients, do not make any adjustments to uncollectable receivables.

**Required: As auditor, identify potential risks and repsond to them.**

**Mövzu 7: Audit Planning and Documentation**

1. Explain the importance of planning.
2. Explain differences between interim and final audit
3. Before planning audit engagement of Panther LLC, audit assistant gathered information for formualting overall audit strategy. This infromation contains: background of the company directors, resume of the company employees, budgets of the company, functions and their responsibilites, IT software system. As senior auditor now you ahve to check the suiatbility of these information for formulating overall audit strategy.

**Required: As senior auditor, comment on the infromation collected by the audit assistant, and check the suitability of the information. In case of any defficiency introduce any additional information requirements.**

1. Explain why audit documentation is important for the audit engagement
2. Describe a structured approach to planning

**Mövzu 8: Audit Evidence**

 1. Explain ISA 500 requirements for the audit evidence. For each requirement provide an example

 2. During the audit engagement of the Matrix LLC the following facts came to the light:

 - Company recognized 10,000 $ in its P&L statement, but no audit evidence obtained for this transaction

 - 150,000 $ revenue expenditure was recognized and capitalized in the balance sheet

 - 20,000 $ sales revenue that was related to the previous years recognized in current period and included in the credit sales.

 - Company has about 30,000 slow moving and obsolete inventory in its warehouses. This inventory was recognized at cost in the financial statements

**Required:** **Explain which financial statement assertions are breached and introduce the correct adjustment to these assertions.**

 3. Describe the quality of the following types of audit evidence, by giving one example for each

 -External Banks

 - Internal Auditor

 - External auditor

 4. The DarkHole Ltd operates in manufacturing industry and it manufactures semiconductors. Company has different and complicated processes which are described below:

 - Company has 20,000,000 of semiconductor inventory and once a year, warehouseman counts inventory and compares which inventory sheets.

 - Company has non-current assets amounting to 1000,000. Every year company replaces some parts of the non-current asset and capitalized it in the balance sheet

 - Company directors think that they are in a good solvency position as they overcome industry ratios and comfortable about the going concerns position of the company

 - Company has 20,000,00 Trade Receivables which is material to the financial statements. Company does not have any information about the recoverability of the trade receivables

 **Required: Describe audit procedures that you will conduct in order to obtain audit evidence**

5. Describe different sources of information and give one example for each

**Mövzu 9: Internal Control**

1. Describe and explain the components of Internal Control System.

2. You are assigned as a External Auditor of the Corruption LLC. During external audit work you found out issues that are described below:

* Company has problems in IT system relating to the preparation of financial statements. Accountants input figures to the system but further processing of the figures to the trial balance fails every time.
* All wages and statutory deductions are calculated only by payroll clerk. These figures are not reviewed and authorized by anyone.
* Company costs are high so that company cannot gain any competetive advantage in the market.
* During the year, two employees suspended in fraudulent financial reporting by changing adminstrative expenses and overstating profits.

**Required: Identify Internal Control defficiencies and suggest a recommendation to address each deficiency**

3. Bribery Co operates in a gaming industry for five years. There are some internal activities which waits fort the resolution. Overtime sheets are completed by the employees themselves. Accuracy of these sheets are not checked by authorised person. There is one HR specialist who completes clock-in and clock-out times of the employees and calculates salary with their statutory deductions. This information afterwards submitted to the Accounting Department.

There are number of gaming boxes and games in the company’s inventory. Everyone inside the company may easily access to these games.

**Required: Explain defficiencies in Internal Control and explain their possible consequence. Provide control activities to overcome these problems**

4**.**  Auditors have a responsibility to communicate deficiencies in internal controls. Explain examples of matters the auditor should consider in determining whether a deficinecy in internal controls is significant.

5. Describe and explain the elements of Control Environment.

 **Mövzu 10: Tests of Controls**

 1. Omega Ltd is pharmaceutical company that operates in twenty countries around the world. The company want to increase its market share and catch the leadership in the market. In order to achieve this objective director gave a task to Internal Audit Department. Their main task is to control sales system of the company. During the investigation some issues came to the light:

 One worker takes orders, records sales and receives payments for any sale transaction. During this process he spends about 2 days for each activity which is not efficient for the company. Sales person recognizes sales without any approved sales order form. Only after recording sales transaction he gets sales order form.

Shipping documentation is not forwarded to the invoicing section on daily basis. All shipping documentations are forwarded only once a week. Additionally, all good that are shipped are not invoiced daily.

At the end of each month there is always problem in sales system, where sales are recorded completely. Sales manager does not check this.

**Required: Describe which financial statement assertions that are breached. For each assertion introduce suitable control and test of control**

2. Rendell Group is a car wash company and its financial year end 29.03.20X3. Company purchases washing equipment on yearly basis. Some of them are used in for business operations and some of them leased out to the external customers. The Purchase system of the company is as follows:

There is purchase order for each purchase transaction but no one controls authorize the raise of purchase order. As a result, some of the purchase transactions still remains without purchase orders.

At the period end it was evident that, some of the recorded purchase orders do not relates to the company’s business operations. Some of the equipment are bought by third parties but purchase orders were raised by Omega.

Additional monitoring activities over the purchase system discovered that some of the amounts in general ledger is not correct.

**Required: Describe which financial statement assertions that are breached. For each assertion introduce suitable control and test of control**

3. BookWorm Company operates in book industry and sells its books over the world. It has inventory of books with material amount. Inventory system a bit complicated and described below:

Company has consignment inventory and there are no clear ware house spaces where consignment inventory could be differently located. As a result, company includes it in the financial statements as its inventory. As result inventory value overstated in the statement of financial position.

Company values its inventories only based in their costs and does not change it regardless of market prices. CFO thinks that, book market is stable and there is no need to adjust inventory values.

Dispatch documents are not processed on daily basis for recording dispatch of finished goods.

**Required: Describe which financial statement assertions that are breached. For each assertion introduce suitable control and test of control**

4. Bata Corporation is a car rent company and its financial year end is 30.10.20X4. Recent years employees of the company left work because of not being paid by company appropriately. Company Internal Auditors think that, it is because of problems in payroll department. Company’s payroll system is as follows:

There is no control over the employee’s attendance so payroll specialist calculates wages based on approximate timing assumptions. As a result, all wages and statutory deductions calculated inappropriately.

Government Agency of Statutory Deductions wrote official letters several times to the company for wrong calculation of pension deductions. Every time company responded that they do not have any problem in payroll system, although company has significant deficiencies.

There is a communication problem between HR and Payroll Department. In case of resignation or appointment of new employees, HR department does not provide information on timely basis. So, payroll records always incomplete.

**Required: Describe which financial statement assertions that are breached. For each assertion introduce suitable control and test of control**

5. Describe four financial statement assertions for revenue and capital expenditure. Four each assertion, describe suitable control and test of controls

**Mövzu 11: Audit Procedures and Sampling**

1. Explain what is directional testing. Where suitable provide examples
2. Explain what factors influence reliability of data
3. You are part of audit team auditing financial statements of Monopoly Ltd, which produces office supplies for organizations. Company had the following sales in 2018:

Sales to individuals: 4000-5000 $

 Sales to corporate customers: 10,000-15,000$

 Company’s operational expenses made up between 5-10% of total sales. The profit for the year in the draft statement of profit and loss is shown as 7,000$.

**Required: Using analytical procedures , perform a proof in total on the profit for the year.**

1. DeathHelp LLC is service company that organizes and provides funeral ceremonies for Azerbaijan regions. In 2017 company had 30,000,000 AZN revenue. Company’s problem receivables amounted to 1800,000 AZN at the end of the year. Local legislation on corporate tax profits provides following allowance rates for problem receivables:

 5%-10% of sales- 25% allowance(for problem receivables)

 10-30% of sales- 50% allowance(for problem receivables)

 30-69% of sales- 100% allowance(for problem receivales)

DethHelp LLC ignored corporate tax rules and made full allowance ofr the problem receivables. At the end of the year company showed 1,500,000 net profit from operations.

**Required: As an auditor provide analytical procedures in order to find the correct allowance. Explain the effect of the adjustment on net profit.**

1. You are auditor of ChakChuk LLC which has a set of tea houses in the city center. You are required to perfom audit sampling regarding to the things describes below:
* You have to check all the account balances and your sample size have to cover all the items equally
* You have to check the sequence of the sales invocies so that, to be ensure about the completeness
* You have to check purchase balances, so every 5th purchase has to be audited.

**Required: Explain what is audit sampling. For the procedures above describe suitable audit sampling type**

**Mövzu 12: Non-Current Assets**

1. Uncle LLC is a recruiting company that provides high paid job places for unemployed people who does not have any educational and professional background. During year company purchases 20 cars for operational purposes and capitalized it in the financial statements. At the end of the year 10 of these 20 cars leased out to manufacturing company for transportation purposes.

During the year companu decided to produce HR professioanls Journal. For this purpose company purhcased 10 printing machines with 10% discount. At the end of the year company invited external valuers to value its printing machines. Because of high volume journal production 3 of the machines has become obsolete and written off.

**Required: Explain audit procedures for checking completeness, existence and valuation assertions of these tangible non-current assets.**

1. Describe intangible non-current assets and provide audit procedures for them
2. SpeedForce Ltd is a motorbike manufacturer and operates in 20 countries around the world. You are involved in the audit of the company’s non-current assets for the year ended 31 December 2018. The main categories of NCAs are as follows:
3. Land and Buildings
4. Computers
5. Small motorvehicles
6. Equipment for packaging

 The depreciation rates used are as follows:

 Buildings- 5% each year on cost

 Computers- 20% each year on the reducing balance

 Equipment- 15% each year on cost

**Required: Describe audit procedures you would perform to check the appropriateness of the depreciation rates**

1. Describe internal control considerations about non-current assets
2. Describe audit procedures for checking rights and obligations and clasification assertions for non-current assets.

**Mövzu 13: Trade Receivables**

1. List and explain three factors that should be considered when undertaking an analytical review on sales
2. FakeMake LLC is an organization that provides international certificates to its individual and corporate customers. During the year 2016, company sales was 200,000 AZN and sales invoices are not numbered sequentally. One of the customers made 15,000 AZN prepayment which has not been recorded in the financial accounts. One of the individual customers claimed that, although he paid back for the provided service, company did not take into account this payment. Amoutn claimed by the company was 20,000 AZN.

**Required: Explain procedures you would perform to check prepayments, completeness of sales, rights to receivable.**

1. Explain receivable confirmation in detail. What is client’s mandate?
2. Blockbust, a listed company, manufactures clothes and dyes these clothes and other textiles. You are carrying out the audit of the accounts of the company for the year ended 30 September 2016 which show a revenue of about $10 million and a profit before tax of about $800,000. You are attending the final audit in December 2016 and are commencing the audit of trade accounts receivables, which are shown in the draft accounts at $2,060,000.

The interim audit (tests of controls) was carried out in July 2016 and it showed that there was a good system of internal control in the sales system and no serious errors were found in the audit tests. The company's sales ledger is maintained on a computer, which produces at the end of each month:

(i) A list of transactions for the month

(ii) An aged list of balances

(iii) Open item statements which are sent to customers (open item statements show all items which are outstanding on each account, irrespective of their age)

Required

1. List and briefly describe the audit tests you would carry out to verify trade accounts receivable at the year end.
2. Give examples to verify completeness, existence, cut off assertions of trade receivables

**Mövzu 14: Audit Review and finalization**

1. Explain adjusting and non-adjusting events give examples where suitable
2. State and explain three enquiries that should be made of management to test subsequent events
3. List and explain four examples of areas that analytical review at the final stage should cover
4. Explain review for consistency and reasonableness
5. What is written representation? Provide examples for written representations

**Mövzu 15: Audit Reports**

1. Bribery LLC has a material receivable balance owing from its customer, Lawsuit Co. During the year-end audit, your team reviewed the ageing of this balance and found that no payments had been received from Lawsuit for over six months, and Bribery would not allow this balance to be circularised. Instead management has assured your team that they will provide a written representation confirming that the balance is recoverable.

The warranty provision included within the statement of financial position is material. The audit team has performed testing over the calculations and assumptions which are consistent with prior years. The team has requested a written representation from management confirming the basis and amount of the provision are reasonable. Management has yet to confirm acceptance of this representation. The directors have decided not to provide the audit firm with the written representation for the warranty provision.

**Required: Explain the steps the auditor of Bribery should now take and impact on the auditor’s report in relation to the refusal to provide written representation**

1. You are the audit manager of Cherry & Co and you have been provided with financial statements extracts and the following information about your client, Apple Kitchen Designs Co (Apple), who is a kitchen manufacturer. The company’s year end is 30 April 20X2.

Apple has recently been experiencing trading difficulties, as its major customer who owes $0.6m to Apple has ceased trading, and it is unlikely any of this will be received. However the balance is included within the financial statements extracts below. The sales director has recently left Apple and has yet to be replaced. The monthly cash flow has shown a net cash outflow for the last two months of the financial year and is forecast as negative for the forthcoming financial year. As a result of this, the company has been slow in paying its suppliers

and some are threatening legal action to recover the sums owing. Due to its financial difficulties, Apple missed a loan repayment and, as a result of this breach in the loan covenants, the bank has asked that the loan of $4.8m be repaid in full within six months. The directors have decided that in order to conserve cash, no final dividend will be paid in 20X2.

Financial statements extracts for year ended 30 April:

 **Draft Actual**

 **2012 2011**

**Current Assets**

Inventory 3.4 1.6

Receivables 1.4 2.2

Cash - 1.2

**Current Liabilities**

Trade Payables 1.9 0.9

Overdraft 0.8 -

Loans 4.8 0.2

**Required: Explain the potential indicators that Apple Co is not going concern**

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1. Describe the expectation gap and explain why it arises
2. In which situations qualified opinions must be expressed in the auditor’s report? Explain
3. What are the main points when auditors prepare a written communication on internal control matters?