

# [Very low customer think quality assignment](https://assignbuster.com/very-low-customer-think-quality-assignment/)

Services and Related Report As you have requested, we will audit the financial statements of Oceanside Marine Company, which comprise the balance sheet for December 31, 2015, ND the related statements of income, changes in stockholders’ equity, and cash flows for the year then ended, and the related notes to the financial statements. These reviews will be conducted in accordance with Generally Accepted Accounting Principles (GAP) in the United States of America. We will communicate to you any matters that we believe may require material modifications to make it conform with GAP.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements. We will issue a written report upon completion of our audit of Oceanside Marine Company’s financial statements. Our report will be addressed to the board of directors of Oceanside Marine Company. We cannot provide assurance than an unqualified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis- of-matter or other-matter paragraph.

We may reserve the right to decline is issue a report due to any reason caused by your party. Should such situation arise, we will notify you in writings. Our Responsibilities and Limitations An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected upend on the auditor’s judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

An audit also includes evaluating the appropriateness of accounting policies used and the cow 1 1/23/2015 MPh 2/19/2016 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. You should recognize that there are limitations in the auditing process. To your understandings, audits are conducted in forms of selective testing of data reported on the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAP. In making our risk assessments, we consider internal control relevant to the entity s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity internal control.

However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Management’s Responsibilities Our audit will be conducted on the basis that the management of Oceanside Marine Company acknowledge and understand that they have responsibility: a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; b. Or the design, implementation and maintenance of internal control relevant o the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; c. To timely provide us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation, and other matters; additional information that we may request from management for the purpose of the audit; and unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As required by standards of the Public Company Oversight Board (United States) ruing our audit process, we will request from management written confirmation concerning representations made to use in connection with the audit. Timing and Fees The timing of our services is scheduled for performance and completion as follows: Begin interim fieldwork Completion of fieldwork Delivery of management letter December 1, 2015 March 15, 2016 March 22, 2016 Delivery of audit report Delivery of tax returns March 29, 2016 This timeshare is designed under the assumption that you will provide all supporting documents we requested on a timely basis.

Our fees will be based on our standard hourly rates. Invoices will be submitted periodically as the work progresses and are payable upon presentation. Should we find any conditions that could significantly affect our initial estimated total fees of $21 , OHO, we will notify you immediately. We believe this letter summonses our agreement. Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Yours very truly, Charles Ward Charles Ward, CPA Partner per: Donald Phillips Donald Phillips, President Oceanside Marine Company November 10, 2015 Discussion questions 1. Charles Ward, the engagement partner, has already completed the CLIENT ACCEPTANCE FORM in the permanent file. Based on the information you studied in the Permanent File and the unedited financial statements included in the Current Workplaces (workplaces 1-1 through 15), evaluate the client acceptance decision. Organize your answer using the two-column format shown below. A.

Indicate two favorable factors most important to the client acceptance decision (one factor has been provided as an example). B. Indicate three concerns you have about accepting Oceanside as a client. Factors Favoring Acceptance 1. Responses to inquiries of predecessor auditor were complimentary about Oceanside. Predecessor auditor spoke highly of Connivance’s employees’ integrity, competence, and dedication to running a successful business. 2. There has recently been an upgrade of accounting software and hardware that contribute it a stronger internal control 3.

Strong, growing + historically stable company Concerns about Acceptance 1. Oceanside is trying to buy out their investor, Southern Enterprises, which may create cash shortage. 2. Oceanside has stated that they may have issued with the investors putting APS on officers’ salaries + fringe benefits which could indicate possible overcompensation 4. A lawsuit is currently pending due to a customer’s boat that sank. This could be a cause for the concern depending on customer overall liability. 2.

Indicate whether you agree with the decision to accept the client. Justify your decision, indicating the one or two factors from your response to the first question that had the greatest influence on your decision. Yes, agreed. From what the predecessor auditor told our company along with a solid history of growth and the willingness of the clients’ directors indicate they re a low risk. Assignment ONE Mr. Page 5 3. The client and our firm have agreed on an initial estimated audit fee of $29, 000 (see the engagement letter).

However, the estimated total cost of performing this year’s audit is $37, 590 (see the fee budget on workplace 6-5). Discuss possible reasons why a CPA firm might charge a new client an audit fee that is lower than the estimated first-year costs of performing the audit. The $29, 000 figure may be what the firm would normally charge an existing client of the same size and the $37, 590 amount the high-end of an audit of this size company being a new client. There maybe know that would lend to more work.