

Happiness express
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1. By way of confirmation of year-end accounts receivables, auditors hope to verify management assertions regarding the “ Existence” of said accounts receivables and its true “ Valuation”, AU330. 12. Year-end sales cut-off test is another important audit procedure, which gives the auditor information on the “ completeness” of a sale. The aim is to make sure that whatever sales are being recorded is recorded in the correct period. 2.

Cooper & Lybrand did indeed made mistakes & errors. First, they should have never accepted Goldberg’s offer to contact Woo Wee regarding the confirmation letter. In such a case they should have allowed Goldberg to call Woo Wee but instead taken control of the conversation. AU330. 28 makes this clear; the auditor should maintain control of the confirmation process. Secondly, after receiving the faxed confirmation they accepted it without further follow-up. AU330. 9 explains that confirmation by way of a fax should be followed up with verifying the sender and also requesting that the original confirmation be sent in the mail. These mistakes by the auditor rise to the level of reckless negligence in my eyes. They in essence did not gather substantial evidence to confirm the existence or valuation of one of the company’s biggest account. Based on the information provided on the case I cannot say the auditors actions were fraudulent because it doesn’t say whether they were aware of the companies deceit or that they were “ in on it”. . Cooper & Lybrand should have absolutely confirmed the receivables by West Coast Liquidators. They made up 13% of the years end accounts receivable with the majority of that amount occurring in the last month of FY 1995. The firm’s policy and procedures manual also indicated a potential material misstatement in such cases of large year- end sales but still West

Cost Liquidators account went unchecked. In this case they violated AU330.

15 regarding exercising Professional...