Debt and equity control

Business, Company

On May 15 of the current year the Columbia Corporation made an accommodation endorsement of a 60-day, $430, 000 note issued by a major customer, Brill Corporation, to its bank. This is a significant amount as the usual profit of Columbia Corporation is about $500, 000. But this was not duly notified to the auditors. As the information was not notified in a proper and official manner, from an ethical point of view, the auditors are not liable to work on this information.

The logical steps should be taken in consideration in this scenario and the due procedures should be followed without the incorporation of this information in the balance sheet (Tyremen, 117) but from a professional point of view an auditor must incorporate this information based on the bank statement of for the fiscal year ended June 30.

It is evident that thefinancial statementof the bank would reveal a transaction of this volume and thus it would be logical step to include this transaction in the balance sheet for the fiscal year ended June 30. For the current fiscal statement for the fiscal year ended June 30 the auditors would treat the amount of $430, 000 as loan to debtors and subject the total net profit to $70, 000. Once the amount is realized on the end of the stipulated 60 days it would be accounted for in accordance to the next financial year. (Manning, 264-5)