

Surfer dudes duds case assignment



**ASSIGN
BUSTER**

surfer dudes duds case BY Jtd35 Surfer Dudes Duds Case During the Surfer Dudes case the going concern assumption and opinion an auditor might issue at the end of an audit are a focal point. It is brought up in relation to the audit of the Surfer dudes company. Whether or not to issue a going concern opinion is a tough decision and can have a serious effect on a company. Taking into account the relationship between the audit partner and CEO in this case the issue becomes even touchier. Going concern is an assumption that a particular company will be financially able enough to continue and fulfill its obligations in the present and future.

When an auditor issues a going concern opinion it is because this assumption is not met. An unqualified opinion is issued when all financial statements are thought to be free of material errors. Technically a company could have financial statements free from material errors and deserving of an unqualified opinion but still not meet the requirements of the going concern assumption and therefore have a going concern opinion issued by the auditor. While deciding whether a going concern opinion is appropriate there are several types of information the auditor should consider.

The auditor would need to decide from the information they gathered over the course of their audit whether or not they believe there is substantial doubt that the company will continue as a going concern. If the auditor does have substantial doubt they would then discuss with management any plans that they might have to turn things around. After these considerations they would then decide whether or not there is still substantial doubt that the company will continue as a going concern. If there is they then would disclose this and write an explanatory paragraph.

If there no longer is considered to be substantial doubt they would then decide whether or not disclosure is necessary. There are many different audit procedures an auditor could perform to decide the appropriateness of a going concern opinion. Some of these are; analytical procedures, review of subsequent events and terms of debt agreements, as well as an inquiry into legal issues and others. Surfer Dude is currently struggling financially and the auditor has substantial doubt that they will continue as a going concern.

If he is to issue a going concern opinion with an explanatory paragraph this might become a self-fulfilling prophecy for Surfer Dude. Even though they are not doing well now, issuing a going concern opinion might cause customers, lenders, and creditors to shy away from doing business with the company causing a very negative affect by completely dooming any chance they had at turning things around. This would then prove the substantial doubt about the company continuing as a going concern to be true.

There might be several implications an audit firm would face in the case of Surfer Dudes if they issued an unqualified report without a going concern explanatory paragraph. One of these would be possible litigation from lenders and creditors who relied on their audit opinion. Another might be litigation from Surfer Dudes themselves claiming the audit firm didn't inform them about their going concern and therefore didn't allow for them to make necessary changes. Another alternative is that Surfer Dudes might turn the company around and no one will be affected by the absence of a going concern explanatory paragraph.

Taking into account everything concerning the Surfer Dudes case Mark should try to come up with a strong argument to convince George issuing a going concern opinion is the right thing to do. He should explain how this would allow George to sit down with the audit firm and discuss plans to turn things around; as well as giving customers, and creditor's faith that Surfer Dudes is reliable in disclosing important information. CONTENT

REQUIREMENTS What is a going concern opinion and what does it mean?

How is it different than an unqualified audit opinion? (3 pts)

Requirement 2 What are the types of information the auditor should consider when determining whether a going concern opinion is appropriate? What audit procedures might an auditor perform to determine the appropriateness of the going concern opinion? (5 pts)

Requirement 3 How might a going concern opinion become a "self-fulfilling" prophecy for Surfer Dude? (4 pts)

Requirement 4 What are the potential implications to the audit firm if they issue an unqualified opinion without the going concern explanatory paragraph? (3 pts)

Requirement 5 How might Mark convince George that a going concern opinion is in the best interests of all parties involved? Give some arguments that Mark might make. (4 pts)

WRITING REQUIREMENTS

Requirement 1 You MUST include the following in your paper. Underline them, bold them, or italicize them so I can find them easily. Use both "effect" and "affect" Use a semi-colon twice Include a proper introduction and a proper conclusion for this paper. In addition, ensure that this paper is cohesive throughout and paragraphs flow from one to another.

This should read like one comprehensive essay rather than answers to specific requirements. Writing Restrictions for this assignment: Any

spelling/punctuation requirement included on a prior assignment will also be reviewed for accuracy if included in this paper. For example, since “ than” and “ then” were included on the first assignment, if you use either in this assignment, they must be spelled correctly. Read “ On Writing” for the things I will be looking for in your writing 12-point font Double-spaced Two page maximum