

Bullfinch.com is a website design company whose year end was 31 October 2014. The audit is almost complete and the financial statements are due to be signed shortly. Revenue for the year is \$11.2 million and profit before tax is \$3.8 million. A key customer, with a receivables balance at the year end of \$283,000, has just notified Bullfinch.com that they are experiencing cash flow difficulties and so are unable to make any payments for the foreseeable future. The finance director has notified the auditor that he will write this balance off as an irrecoverable debt in the 2015 financial statements.

Required:

(i) Explain whether or not the 2014 financial statements require amendment; and

(ii) Describe audit procedures which should be performed in order to form a conclusion on any required amendment.

Note: The total marks will be split equally between each part. (6 marks)