

Dashing Co manufactures women's clothing and its year end was 31 July 20X7. You are an audit supervisor of Jaunty & Co and the year-end audit for Dashing Co is due to commence shortly.

The draft financial statements recognise profit before tax of \$2.6m and total assets of \$18m. You have been given responsibility for auditing receivables, which is a material balance, and as part of the audit approach, a positive receivables circularisation is to be undertaken.

At the planning meeting, the finance director of Dashing Co informed the audit engagement partner that the company was closing one of its smaller production sites and as a result, a number of employees would be made redundant. A redundancy provision of \$110,000 is included in the draft financial statements.

**Required:**

- (a) Describe the steps the auditor should perform in undertaking a positive receivables circularisation for Dashing Co. (4 marks)**
- (b) Describe substantive procedures, other than a receivables circularisation, the auditor should perform to verify EACH of the following assertions in relation to Dashing Co's receivables:**
  - (i) Accuracy, valuation and allocation;
  - (ii) Completeness; and
  - (iii) Rights and obligations.

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

- (c) Describe substantive procedures the auditor should perform to confirm the redundancy provision at the year end.**
- (d) Discuss the issue and describe the impact on the auditor's report, if any, should this issue remain unresolved. (5 marks)**