

Question:

You are a senior manager in the audit department of Raven & Co. You are reviewing two situations which have arisen in respect of audit clients, which were recently discussed at the monthly audit managers' meeting:

Grouse Co is a significant audit client which develops software packages. Its managing director, Max Partridge, has contacted one of your firm's partners regarding a potential business opportunity. The proposal is that Grouse Co and Raven & Co could jointly develop accounting and tax calculation software, and that revenue from sales of the software would be equally split between the two firms. Max thinks that Raven & Co's audit clients would be a good customer base for the product.

Required:

Identify and discuss the ethical, commercial and other professional issues raised, and recommend any actions that should be taken in respect of

Grouse Co; and (8 marks)