

Question:

You are a manager in the audit department of Carter & Co, and you are dealing with several ethical and professional matters raised at recent management meetings, all of which relate to audit clients of your firm.

1. Fernwood Co has a year ending 30 June 2010. During this year, the company established a pension plan for its employees, and this year end the company will be recognising for the first time a pension deficit on the statement of financial position, in accordance with IAS 19 Employee Benefits. The finance director of Fernwood Co has contacted the audit engagement partner, asking if your firm can provide a valuation service in respect of the amount recognised.

Required:

Identify and evaluate the ethical and other professional issues raised, in respect of:

(a) Fernwood Co; (6 marks)