Answers
1. **MURRAY CO**

   (a) **Matters to consider**

   - Ross & Co should be sufficiently competent and experienced to undertake the audit of Di Rollo as it has similar competence and experience in auditing the larger Murray Co. However, Ross needs knowledge of conducting businesses in South America including legal and tax regulations.

     **Tutorial note:** Candidates should not be querying their competence and experience in the field of retailing as though they were dealing with highly regulated or specialist industries such as banking or insurance.

   - Any factors that might impair Ross's objectivity in forming an opinion on the financial statements of Di Rollo (and the consolidated financial statements of Murray). For example, if Ross was involved in any due diligence review of Di Rollo, the same senior staff should not be assigned to the audit.

     **Tutorial note:** Candidates will not be awarded marks for going into ‘autopilot’ on independence issues. For example, Ross holding shares in Di Rollo is not possible (since 100%-owned).

   - Whether Ross has sufficient, if any, resources in South America (e.g. in representative/associated offices). Ross must have sufficient time to report on Di Rollo within the timeframe for reporting on the consolidated financial statements of Murray.

   - Ross should not accept the nomination if any limitation imposed by management would be likely to result in the need to issue a disclaimer of opinion on Di Rollo's financial statements.

   - Whether the proposed restriction in audit fee compromises the quality of the audit of Di Rollo and/or the Murray group. The 20% increase needs to be sufficient to cover the cost of the audit of Di Rollo and the incremental costs associated with auditing Murray's consolidated financial statements (as well as any general annual price increase that might be applied to audit fees).

   - Di Rollo is material to the Murray group. At acquisition the fair values of Di Rollo's tangible non-current assets, current assets and current liabilities represent 6.8%, 2.9% and 8%, respectively, of those in Murray's consolidated financial statements at 31 March 2007.

   - It is usual that a parent company should want its auditors to audit its subsidiaries. If Ross were to decline the nomination, Murray's management may seek an alternative auditor for the group.

     **Tutorial note:** Credit will not be awarded for merely querying why the current auditor is not being retained.

   - Murray should give Ross written permission to communicate with Di Rollo's current auditor to enquire if there is any professional reason why they should not accept this assignment.

   - Murray may provide Ross with additional fee-earning opportunities (e.g. due diligence reviews, tax consultancy, etc) if it continues to expand in future.

   (b) **Effect of acquisition on planning the audit of Murray’s consolidated financial statements for the year ending 31 March 2008**

   **Group structure**

   The new group structure must be ascertained to identify all entities that should be consolidated into the Murray group’s financial statements for the year ending 31 March 2008.

   **Materiality assessment**

   Preliminary materiality for the group will be much higher, in monetary terms, than in the prior year. For example, if a % of total assets is a determinant of the preliminary materiality, it may be increased by 10% (as the fair value of assets acquired, including goodwill, is $2,373,000 compared with $21.5m in Murray’s consolidated financial statements for the year ended 31 March 2007).

   The materiality of each subsidiary should be re-assessed, in terms of the enlarged group as at the planning stage. For example, any subsidiary that was just material for the year ended 31 March 2007 may no longer be material to the group. This assessment will identify, for example:

   - those entities requiring an audit visit; and
   - those entities for which substantive analytical procedures may suffice.

   As Di Rollo’s assets are material to the group Ross should plan to inspect the South American operations. The visit may include a meeting with Di Rollo’s previous auditors to discuss any problems that might affect the balances at acquisition and a review of the prior year audit working papers, with their permission.

   Di Rollo was acquired two months into the financial year therefore its post-acquisition results should be expected to be material to the consolidated income statement.
Goodwill acquired
The assets and liabilities of Di Rollo at 31 March 2008 will be combined on a line-by-line basis into the consolidated financial statements of Murray and goodwill arising on acquisition recognised.

Audit work on the fair value of the Di Rollo brand name at acquisition, $600,000, may include a review of a brand valuation specialist’s working papers and an assessment of the reasonableness of assumptions made.

Significant items of plant are likely to have been independently valued prior to the acquisition. It may be appropriate to plan to place reliance on the work of expert valuers. The fair value adjustment on plant and equipment is very high (441% of carrying amount at the date of acquisition). This may suggest that Di Rollo’s depreciation policies are over-prudent (e.g. if accelerated depreciation allowed for tax purposes is accounted for under local GAAP).

As the amount of goodwill is very material (approximately 50% of the cash consideration) it may be overstated if Murray has failed to recognise any assets acquired in the purchase of Di Rollo in accordance with IFRS 3 Business Combinations. For example, Murray may have acquired intangible assets such as customer lists or franchises that should be recognised separately from goodwill and amortised (rather than tested for impairment).

Subsequent impairment
The audit plan should draw attention to the need to consider whether the Di Rollo brand name and goodwill arising have suffered impairment as a result of the allegations against Di Rollo’s former chief executive.

Liabilities
Proceedings in the legal claim made by Di Rollo’s former chief executive will need to be reviewed. If the case is not resolved at 31 March 2008, a contingent liability may require disclosure in the consolidated financial statements, depending on the materiality of amounts involved. Legal opinion on the likelihood of Di Rollo successfully defending the claim may be sought. Provision should be made for any actual liabilities, such as legal fees.

Group (related party) transactions and balances
A list of all the companies in the group (including any associates) should be included in group audit instructions to ensure that intra-group transactions and balances (and any unrealised profits and losses on transactions with associates) are identified for elimination on consolidation. Any transfer pricing policies (e.g. for clothes manufactured by Di Rollo for Murray and sales of Di Rollo’s accessories to Murray’s retail stores) must be ascertained and any provisions for unrealised profit eliminated on consolidation.

It should be confirmed at the planning stage that inter-company transactions are identified as such in the accounting systems of all companies and that inter-company balances are regularly reconciled. (Problems are likely to arise if new inter-company balances are not identified/reconciled. In particular, exchange differences are to be expected.)

Other auditors
If Ross plans to use the work of other auditors in South America (rather than send its own staff to undertake the audit of Di Rollo), group instructions will need to be sent containing:

– proforma statements;
– a list of group and associated companies;
– a statement of group accounting policies (see below);
– the timetable for the preparation of the group accounts (see below);
– a request for copies of management letters;
– an audit work summary questionnaire or checklist;
– contact details (of senior members of Ross’s audit team).

Accounting policies
Di Rollo may have material accounting policies which do not comply with the rest of the Murray group. As auditor to Di Rollo, Ross will be able to recalculate the effect of any non-compliance with a group accounting policy (that Murray’s management would be adjusting on consolidation).

Timetable
The timetable for the preparation of Murray’s consolidated financial statements should be agreed with management as soon as possible. Key dates should be planned for:

– agreement of inter-company balances and transactions;
– submission of proforma statements;
– completion of the consolidation package;
– tax review of group accounts;
– completion of audit fieldwork by other auditors;
– subsequent events review;
– final clearance on accounts of subsidiaries;
– Ross’s final clearance of consolidated financial statements.

Tutorial note: The order of dates is illustrative rather than prescriptive.
(c) Management letter effectiveness criteria

**Tutorial note:** Candidates at this level must know that a management letter is a letter of weakness (also called post-audit letter). No marks will be awarded for consideration of any other letters (e.g. management representation letters, engagement letters).

- **Timeliness** – a management letter should be issued as soon as possible after completion of the audit procedures giving rise to comment. This is particularly important when audit work is carried out on more than one audit visit and where it is a matter of urgency that management make improvements to their procedures (e.g. where there is evidence of serious weakness).

- **Clarity** – wording must be clear so that recipients understand the significance of weaknesses that are being drawn to their attention. It is particularly important that implications are explained clearly in terms that will prompt management to respond positively (e.g. drawing attention to the risks of financial loss arising).

- **Illustrative** – specific illustrative examples (e.g. of where controls have not been evidenced) should aid management in understanding the nature of the problem(s).

- **Constructive comments/advice** – recommendations for improvements must be practicable (i.e. appropriate and cost-effective in the light of the client's resources) if the client is to take corrective action.

- **Conciseness** – unnecessary volume will distract management from new/additional matters that require their attention. For example, matters adequately dealt with in the internal auditor’s report should not be repeated.

- **Factual accuracy** is essential. Inaccuracies will not only aggravate the client and appear unprofessional but could, in rare circumstances, result in liability. Similarly, the letter should not criticise (or ‘cast aspersions’) on individual staff members if it is the system that is inadequate.

- **A suitable structure** – for example ‘tiered’, where the report contains matters of varying levels of significance. By directing different classes of matters to the appropriate level or area of responsibility action by management can be taken more speedily and constructively.

**Tutorial note:** An alternative structure might be one that sequences those recommendations that improve profitability/cash flows before those that deal with information systems.

- **Inclusion of staff responses** – both to advise senior management of action proposed/being taken by their staff and to give credit to recommendations for improvements where it is due (e.g. where client's staff have proposed recommendations).

- **Inclusion of management's response** – an indication of the actions that management intends to take is more likely to result in action being taken. Discussing findings with management first should also ensure their factual accuracy.

- **Client's perspective** – implications from the client’s viewpoint (e.g. in terms of cost savings) are more likely to be acted on than those expressed from an audit perspective (e.g. in terms of lowered audit risk).

- **Professional tone** – should not be offensive. Comments that fault management’s knowledge, competence, motives or integrity are likely to provoke defensive reactions. Comments should be positive/constructive by emphasising solutions/benefits.

**Tutorial notes:** Other points that candidates may include:

- Inclusion of matters of future relevance
- Cost effectiveness – minutes of discussions with management instead of a formal weakness letter
- Not raising ‘people problems’ in such a formal communication (a confidential discussion is preferable).

2 CUSITER CO

(a) ‘Prospective financial information’ (PFI)

PFI is financial information based on:

- assumptions about events that may occur in the future; and
- possible actions by an entity.

Prospective financial information can be in the form of a forecast, a projection or a combination of both.

- A forecast is PFI prepared on the basis of assumptions about future events that management expects to take place and the actions management expects to take at the time the information is prepared (best-estimate assumptions)1.

- A projection is prepared on the basis of:
  - hypothetical assumptions about future events and management actions which are not necessarily expected to take place (e.g. when entities are starting up or restructuring); or
  - a mixture of best-estimate and hypothetical assumptions.

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1 ISAE 3400 *The Examination of Prospective Financial Information*
(b) Matters to be considered

**Tutorial note:** Candidates at this level must appreciate that the matters to be considered when planning the nature and scope of the examination are not the same matters to be considered when deciding whether or not to accept an engagement. The scenario clearly indicates that the assignment is being undertaken by the current auditor rendering any 'pre-engagement'/'professional etiquette' considerations irrelevant to answering this question.

This PFI has been prepared to show an external user, the bank, the financial consequences of Cusiter’s plans to help the bank in making an investment decision. If Cusiter is successful in its loan application the PFI provides a management tool against which the results of investing in the plant and equipment can be measured.

The PFI is unpublished rather than published. That is, it is prepared at the specific request of a third party, the bank. It will not be published to users of financial information in general.

The auditor’s report on the PFI will provide only negative assurance as to whether the assumptions provide a reasonable basis for the PFI and an opinion whether the PFI is:
- properly prepared on the basis of the assumptions; and
- presented in accordance with the relevant financial reporting framework.

The nature of the engagement is an examination to obtain evidence concerning:
- the reasonableness and consistency of assumptions made;
- proper preparation (on the basis of stated assumptions); and
- consistent presentation (with historical financial statements, using appropriate accounting principles).

Such an examination is likely to take the form of inquiry, analytical procedures and corroboration.

The period of time covered by the prospective financial information is two years. The assumptions for 2008 are likely to be more speculative than for 2007, particularly in relation to the impact on earnings, etc of the investment in new plant and equipment.

The forecast for the year to 31 December 2007 includes an element of historical financial information (because only part of this period is in the future) hence actual evidence should be available to verify the first three months of the forecast (possibly more since another three-month period will expire at the end of the month).

Cusiter management’s previous experience in preparing PFI will be relevant. For example, in making accounting estimates (e.g. for provisions, impairment losses, etc) or preparing cash flow forecasts (e.g. in support of the going concern assertion).

The basis of preparation of the forecast. For example, the extent to which it comprises:
- proforma financial information (i.e. historical financial information adjusted for the effects of the planned loan and capital expenditure transaction);
- new information and assumptions about future performance (e.g. the operating capacity of the new equipment, sales generated, etc).

The nature and scope of any standards/guidelines under which the PFI has been prepared is likely to assist the auditor in discharging their responsibilities to report on it. Also, ISAE 3400 *The Examination of Prospective Financial Information*, establishes standards and provides guidance on engagements to examine and report on PFI including examination procedures.

The planned nature and scope of the examination is likely to take into account the time and fee budgets for the assignments as adjusted for any ‘overlap’ with audit work. For example, the examination of the PFI is likely to draw on the auditor’s knowledge of the business obtained in auditing the financial statements to 31 December 2006. Analytical procedures carried out in respect of the PFI may provide evidence relevant to the 31 December 2007 audit.

(c) Examination procedures

- The arithmetic accuracy of the PFI should be confirmed, i.e. subtotals and totals should be recast and agreed.
- The actual information for the year to 31 December 2006 that is shown as comparative information should be agreed to the audited financial statements for that year to ensure consistency.
- Balances and transaction totals for the quarter to 31 March 2007 should be agreed to general ledger account balances at that date. The net book value of property, plant and equipment should be agreed to the non-current asset register; accounts receivable/payable to control accounts and cash at bank to a bank reconciliation statement.
- Tenders for the new equipment should be inspected to confirm the additional cost included in property, plant and equipment included in the forecast for the year to 31 December 2008 and that it can be purchased with the funds being lent by the bank.
- The reasonableness of all new assumptions should be considered. For example, the expected useful life of the new equipment, the capacity at which it will be operating, the volume of new product that can be sold, and at what price.
- The forecast income statement should be reviewed for completeness of costs associated with the expansion. For example, operating expenses should include salaries of additional equipment operatives or supervisors.
The consistency of accounting practices reflected in the forecast with International Financial Reporting Standards (IFRS) should be considered. For example, the intangible asset might be expected to be less than $10,000 at 31 December 2008 as it should be carried at amortised cost.

The cost of property, plant and equipment at 31 December 2008 is $280,000 more than at 31 December 2007. Consideration should be given to the adequacy of borrowing $250,000 if the actual investment is $30,000 more.

The terms of existing borrowings (both non-current and short-term) should be reviewed to ensure that the forecast takes full account of existing repayment schedules. For example, to confirm that only $23,000 of term borrowings will become current by the end of 2007.

Trends should be reviewed and fluctuations explained, for example:

- Revenue for the first quarter of 2007 is only 22% of revenue for 2006 and so may appear to be understated. However, revenue may not be understated if sales are seasonal and the first quarter is traditionally ‘quieter’.
- Forecast revenue for 2007 is 18% up on 2006. However, forecast revenue for 2008 is only 19% up on 2007. As the growth in 2007 is before the investment in new plant and equipment it does not look as though the new investment will be contributing significantly to increased growth in the first year.
- The gross profit % is maintained at around 29% for the three years. However, the earnings before interest and tax (EBIT) % is forecast to fall by 2% for 2008. Earnings after interest might be worrying to the potential lender as this is forecast to rise from 12-2% in 2006 to 13-7% in 2007 but then fall to 7-6% in 2008.

The reasonableness of relationships between income statement and balance sheet items should be considered. For example:

- The average collection period at each of the balance sheet dates presented is 66, 69, 66 and 66 days respectively (e.g. $71/394 × 365 = 66 days). Although it may be realistic to assume that the current average collection period may be maintained in future it is possible that it could deteriorate if, for example, new customers taken on to launch the new product are not as credit worthy as the existing customer base.
- The number of days sales in inventory at each balance sheet date is 66, 88, 66 and 65 days respectively (e.g. 50/278 × 365 = 66 days). The reason for the increase to 88 at the end of the first quarter must be established and management's assertion that 66 days will be re-established as the ‘norm’ corroborated.
- As the $42,000 movement on retained earnings from 2007 to 2008 is the earnings before income tax for 2008 it may be that there is no tax in 2008 or that tax effects have not been forecast. (However, some deferred tax effect might be expected if the investment in new plant and equipment is likely to attract accelerated capital allowances.)

(d) Professional accountant’s liability

*Liability for reporting on PFI*

Independent accountants may be required to report on PFI for many reasons (e.g. to help secure a bank loan). Such forecasts and projections are inherently unreliable. If the forecast or projection does not materialise, and the client or lenders (or investors) consequently sustain financial loss, the accountant may face lawsuits claiming financial loss.

Courts in different jurisdictions use various criteria to define the group of persons to whom independent accountants may be held liable for providing a report on an inaccurate forecast or projection. The most common of these are that an accountant is liable to persons with whom there is proximity:

(i) only (i.e. the client who engaged the independent accountant);
(ii) or whose relationship with the accountant sufficiently approaches privity;
(iii) and to persons or members of a limited group of persons for whose benefit and guidance the accountant supplied the information or knew that the recipient of the information intended to supply it;
(iv) and to persons who reasonably can be foreseen to rely on the information.

*Measures to reduce liability*

As significant assumptions will be essential to a reader’s understanding of a financial forecast, the independent accountant should ensure that they are adequately disclosed and clearly stated to be the management’s responsibility. Hypothetical assumptions should be clearly distinguished from best estimates.

The introduction to any forecast (and/or report thereon) should include a caveat that the prospective results may not be attained. Specific and extensive warnings (‘the actual results … will vary’) and disclaimers (‘we do not express an opinion’) may be effective in protecting an independent accountant sued for inaccuracies in forecasts or projections that they have reported on.

Any report to a third party should state:

- for whom it is prepared, who is entitled to rely on it (if anyone) and for what purpose;
- that the engagement was undertaken in accordance with the engagement terms;
- the work performed and the findings.
An independent accountant’s report should avoid inappropriate and open-ended wording, for example, ‘we certify …’ and ‘we obtained all the explanations we considered necessary’.

Engagement terms to report on PFI should include an appropriate liability cap that is reasonable given the specific circumstances of the engagement.

The independent accountant may be able to obtain indemnity from a client in respect of claims from third parties. Such ‘hold harmless’ clauses obligate the client to indemnify the independent accountant from third party claims.

3 LAMONT CO

(a) Chemical leakage

(i) Matters

- $30,000 fine is very immaterial (just 1/4% profit before tax). This is revenue expenditure and it is correct that it has been expensed to the income statement.
- $0.3 million represents 0.6% total assets and 2.5% profit before tax and is not material on its own. $0.6 million represents 1.2% total assets and 5% profit before tax and is therefore material to the financial statements.
- The $0.3 million clean-up costs should not have been capitalised as the condition of the property is not improved as compared with its condition before the leakage occurred. Although not material in isolation this amount should be adjusted for and expensed, thereby reducing the aggregate of uncorrected misstatements.
- It may be correct that $0.6 million incurred in modernising the refrigeration units should be capitalised as a major overhaul (IAS 16 Property, Plant and Equipment). However, any parts scrapped as a result of the modernisation should be treated as disposals (i.e. written off to the income statement).
- The carrying amount of the refrigeration units at 31 March 2007, including the $0.6 million for modernisation, should not exceed recoverable amount (i.e. the higher of value in use and fair value less costs to sell). If it does, an allowance for the impairment loss arising must be recognised in accordance with IAS 36 Impairment of Assets.

(ii) Audit evidence

- A breakdown/analysis of costs incurred on the clean-up and modernisation amounting to $0.3 million and $0.6 million respectively.
- Agreement of largest amounts to invoices from suppliers/consultants/sub-contractors, etc and settlement thereof traced from the cash book to the bank statement.
- Physical inspection of the refrigeration units to confirm their modernisation and that they are in working order. (Do they contain frozen fish?)
- Sample of components selected from the non-current asset register traced to the refrigeration units and inspected to ensure continuing existence.
- $30,000 penalty notice from the regulatory agency and corresponding cash book payment/payment per the bank statement.
- Written management representation that there are no further penalties that should be provided for or disclosed other than the $30,000 that has been accounted for.

(b) Outsourced cold storage

(i) Matters

- Inventory at 31 March 2007 represents 21% of total assets ($30,000) and is therefore a very material item in the balance sheet.
- The value of inventory has increased by 50% though revenue has increased by only 7.5%. Inventory may be overvalued if no allowance has been made for slow-moving/perished items in accordance with IAS 2 Inventories.
- Inventory turnover has fallen to 6.6 times per annum (2006 – 9.3 times). This may indicate a build up of unsaleable items.

Tutorial note: In the absence of cost of sales information, this is calculated on revenue. It may also be expressed as the number of days sales in inventory, having increased from 39 to 55 days.

- Inability to inspect inventory may amount to a limitation in scope if the auditor cannot obtain sufficient audit evidence regarding quantity and its condition. This would result in an ‘except for’ opinion.
- Although Hogg’s monthly return provides third party documentary evidence concerning the quantity of inventory it does not provide sufficient evidence with regard to its valuation. Inventory will need to be written down if, for example, it was contaminated by the leakage (before being moved to Hogg’s cold storage) or defrosted during transfer.
Lamont's written representation does not provide sufficient evidence regarding the valuation of inventory as presumably Lamont's management did not have access to physically inspect it either. If this is the case this may call into question the value of any other representations made by management.

Whether, since the balance sheet date, inventory has been moved back from Hogg’s cold storage to Lamont’s refrigeration units. If so, a physical inspection and roll-back of the most significant fish lines should have been undertaken.

**Tutorial note:** Credit will be awarded for other relevant accounting issues. For example a candidate may question whether, for example, cold storage costs have been capitalised into the cost of inventory. Or whether inventory moves on a FIFO basis in deep storage (rather than LIFO).

(ii) **Audit evidence**
- A copy of the health and safety regulation preventing the auditor from gaining access to Hogg’s cold storage to inspect Lamont’s inventory.
- Analysis of Hogg’s monthly returns and agreement of significant movements to purchase/sales invoices.
- Analytical procedures such as month-on-month comparison of gross profit percentage and inventory turnover to identify any trend that may account for the increase in inventory valuation (e.g. if Lamont has purchased replacement inventory but spoiled items have not been written off).
- Physical inspection of any inventory in Lamont’s refrigeration units after the balance sheet date to confirm its condition.
- An aged-inventory analysis and recalculation of any allowance for slow-moving items.
- A review of after-date sales invoices for large quantities of fish to confirm that fair value (less costs to sell) exceed carrying amount.
- A review of after-date credit notes for any returns of contaminated/perished or otherwise substandard fish.

(c) **Rent-free accommodation**

(i) **Matters**
- The senior sales executive is a member of Lamont’s key management personnel and is therefore a related party.
- The occupation of Lamont’s residential apartment by the senior sales executive is therefore a related party transaction, even though no price is charged (IAS 24 Related Party Disclosures).
- Related party transactions are material by nature and information about them should be disclosed so that users of financial statements understand the potential effect of related party relationships on the financial statements.
- The provision of ‘housing’ is a non-monetary benefit that should be included in the disclosure of key management personnel compensation (within the category of short-term employee benefits).
- The financial statements for the year ended 31 March 2007 should disclose the arrangement for providing the senior sales executive with rent-free accommodation and its fair value (i.e. $3,000 per month).

**Tutorial note:** Since no price is charged for the transaction, rote-learned disclosures such as ‘the amount of outstanding balances’ and ‘expense recognised in respect of bad debts’ are irrelevant.

(ii) **Audit evidence**
- Physical inspection of the apartment to confirm that it is occupied.
- Written representation from the senior sales executive that he is occupying the apartment free of charge.
- Written representation from the management board confirming that there are no related party transactions requiring disclosure other than those that have been disclosed.
- Inspection of the lease agreement with (or payments received from) the previous tenant to confirm the $3,000 monthly rental value.
(a) Independent auditor’s report terms

(i) **Qualified opinion** – A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion.

(ii) **Disclaimer of opinion** – A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

(iii) **Emphasis of matter paragraph** – An auditor’s report may be modified by adding an emphasis of matter paragraph to highlight a matter affecting the financial statements that is included in a note to the financial statements that more extensively discusses the matter. Such an emphasis of matter paragraph does not affect the auditor’s opinion. An emphasis of matter paragraph may also be used to report matters other than those affecting the financial statements (e.g. if there is a misstatement of fact in other information included in documents containing audited financial statements).

(iii) is clearly distinguishable from (i) and (ii) because (i) and (ii) affect the opinion paragraph, whereas (iii) does not.

(i) and (ii) are distinguishable by the degree of their impact on the financial statements. In (i) the effects of any disagreement or limitation on scope can be identified with an ‘except for …’ opinion. In (ii) the matter is pervasive, that is, affecting the financial statements as a whole.

(ii) can only arise in respect of a limitation in scope (i.e. insufficient evidence) that has a pervasive effect. (i) is not pervasive and may also arise from disagreement (i.e. where there is sufficient evidence).

(b) Implications for auditor’s report

(i) **Selective revaluation of premises**

The revaluations are clearly material to the balance sheet as $1.7 million and $5.4 million represent 5.5% and 17.6% of total assets, respectively (and 23.1% in total). As the effects of the revaluation on line items in the financial statements are clearly identified (e.g. revalued amount, depreciation, surplus in statement of changes in equity) the matter is not pervasive.

The valuations of the nine properties after the year end provide additional evidence of conditions existing at the year end and are therefore adjusting events per IAS 10 *Events After the Balance Sheet Date*.

**Tutorial note:** It is ‘now’ still less than three months after the year end so these valuations can reasonably be expected to reflect year end values.

However, IAS 16 *Property, Plant and Equipment* does not permit the selective revaluation of assets thus the whole class of premises would need to have been revalued for the year to 31 March 2007 to change the measurement basis for this reporting period.

The revaluation exercise is incomplete. Unless the remaining three properties are revalued before the auditor’s report on the financial statements for the year ended 31 March 2007 is signed off:

1. the $7.1 revaluation made so far must be reversed to show all premises at depreciated cost as in previous years; OR
2. the auditor’s report would be qualified ‘except for’ disagreement regarding non-compliance with IAS 16.

When it is appropriate to adopt the revaluation model (e.g. next year) the change in accounting policy (from a cost model to a revaluation model) should be accounted for in accordance with IAS 16 (i.e. as a revaluation).

**Tutorial note:** IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* does not apply to the initial application of a policy to revalue assets in accordance with IAS 16.

Assuming the revaluation is written back, before giving an unmodified opinion, the auditor should consider why the three properties were not revalued. In particular if there are any indicators of impairment (e.g. physical dilapidation) there should be sufficient evidence on the working paper file to show that the carrying amount of these properties is not materially greater than their recoverable amount (i.e. the higher of value in use and fair value less costs to sell).

If there is insufficient evidence to confirm that the three properties are not impaired (e.g. if the auditor was prevented from inspecting the properties) the auditor’s report would be qualified ‘except for’ on grounds of limitation on scope.

If there is evidence of material impairment but management fail to write down the carrying amount to recoverable amount the auditor’s report would be qualified ‘except for’ disagreement regarding non-compliance with IAS 36 *Impairment of Assets*. 
(ii) 10-year guarantee

$18.2 million stainless steel cookware sales amount to 43.1% of revenue and are therefore material. However, the guarantee was only introduced three months into the year, say in respect of $13.6 million (\(\frac{3}{4} \times 18.2\) million) i.e. approximately 32% of revenue.

The draft note disclosure could indicate that Petrie’s management believes that Petrie has a legal obligation in respect of the guarantee, that is not remote and likely to be material (otherwise no disclosure would have been required).

A best estimate of the obligation amounting to 5% profit before tax (or more) is likely to be considered material, i.e. $90,000 (or more). Therefore, if it is probable that 0.66% of sales made under guarantee will be returned for refund, this would require a warranty provision that would be material.

**Tutorial note:** The return of \(\frac{2}{3}\)% of sales over a 10-year period may well be probable.

Clearly there is a present obligation as a result of a past obligating event for sales made during the nine months to 31 March 2007. Although the likelihood of outflow under the guarantee is likely to be insignificant (even remote) it is probable that some outflow will be needed to settle the class of such obligations.

The note in the financial statements is disclosing this matter as a contingent liability. This term encompasses liabilities that do not meet the recognition criteria (e.g. of reliable measurement in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

However, it is extremely rare that no reliable estimate can be made (IAS 37) – the use of estimates being essential to the preparation of financial statements. Petrie’s management must make a best estimate of the cost of refunds/repairs under guarantee taking into account, for example:

- the proportion of sales during the nine months to 31 March 2007 that have been returned under guarantee at the balance sheet date (and in the post balance sheet event period);
- the average age of cookware showing a defect;
- the expected cost of a replacement item (as a refund of replacement is more likely than a repair, say).

If management do not make a provision for the best estimate of the obligation the audit opinion should be qualified ‘except for’ non-compliance with IAS 37 (no provision made). The disclosure made in the note to the financial statements, however detailed, is not a substitute for making the provision.

**Tutorial note:** No marks will be awarded for suggesting that an emphasis of matter of paragraph would be appropriate (drawing attention to the matter more fully explained in the note).

Management’s claim that the obligation cannot be measured with sufficient reliability does not give rise to a limitation on scope on the audit. The auditor has sufficient evidence of the non-compliance with IAS 37 and disagrees with it.

5 ETHICS COLUMN

(a) ‘Assurance team’

- All members of the engagement team (for the assurance engagement);
- All others within a firm who can directly influence the outcome of the assurance engagement, for example:
  - those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement;
  - those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and
  - those who provide quality control for the assurance.

(b) Draft guidance

(i) Gifts and hospitality

Gifts and hospitality may be offered as an inducement i.e. to unduly influence actions or decisions, encourage illegal or dishonest behaviour or to obtain confidential information. An offer of gifts and/or hospitality from a client ordinarily gives rise to threats to compliance with the fundamental principles, for example:

- self-interest threats to objectivity and/or confidentiality may be created if a gift from a client is accepted;
- intimidation threats to objectivity and/or confidentiality may arise through the possibility of such offers being made public and damaging the reputation of the professional accountant (or close family member).

The significance of such threats will depend on the nature, value and intent behind the offer. There may be no significant threat to compliance with the fundamental principles if a reasonable and informed third party would consider gifts and hospitality to be clearly insignificant. For example, if the offer of gifts or hospitality is made in the normal course of business without the specific intent to influence decision making or to obtain information.
If evaluated threats are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level.

Offers of gifts and hospitality should not be accepted if the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards.

As the real or apparent threats to compliance with the fundamental principles do not merely arise from acceptance of an inducement but, sometimes, merely from the fact of the offer having been made, additional safeguards should be adopted. For example:

- immediately informing higher levels of management or those charged with governance that an inducement has been offered;
- informing third parties (e.g. a professional body) of the offer (after seeking legal advice);
- advising immediate or close family members of relevant threats and safeguards where they are potentially in positions that might result in offers of inducements (e.g. as a result of their employment situation); and
- informing higher levels of management or those charged with governance where immediate or close family members are employed by competitors or potential suppliers of that organisation.

(ii) Actuarial services to an audit client

IFAC’s ‘Code of Ethics for Professional Accountants’ does not deal specifically with actuarial valuation services but with valuation services in general.

A valuation comprises:

- making assumptions about the future;
- applying certain methodologies and techniques;
- computing a value (or range of values) for an asset, a liability or for a business as a whole.

A self-review threat may be created when a firm or network firm\(^2\) performs a valuation for a financial statement audit client that is to be incorporated into the client’s financial statements.

As an actuarial valuation service is likely to involve the valuation of matters material to the financial statements (e.g. the present value of obligations) and the valuation involves a significant degree of subjectivity (e.g. length of service), the self-review threat created cannot be reduced to an acceptable level of the application of any safeguard. Accordingly:

- such valuation services should not be provided; or
- the firm should withdraw from the financial statement audit engagement.

If the net liability was not material to the financial statements the self-review threat may be reduced to an acceptable level by the application of safeguards such as:

- involving an additional professional accountant who was not a member of the audit team to review the work done by the actuary;
- confirming with the audit client their understanding of the underlying assumptions of the valuation and the methodology to be used and obtaining approval for their use;
- obtaining the audit client’s acknowledgement of responsibility for the results of the work performed by the firm; and
- making arrangements so that the partner providing the actuarial services does not participate in the audit engagement.

(iii) Internal audit services

A self-review threat may be created when a firm, or network firm, provides internal audit services to a financial statement audit client. Internal audit services may comprise:

- an extension of the firm’s audit service beyond requirements of International Standards on Auditing (ISAs);
- assistance in the performance of a client’s internal audit activities; or
- outsourcing of the activities.

The nature of the service must be considered in evaluating any threats to independence. (For this purpose, internal audit services do not include operational internal audit services unrelated to the internal accounting controls, financial systems or financial statements.)

Services involving an extension of the procedures required to conduct a financial statement audit in accordance with ISAs would not be considered to impair independence with respect to the audit client provided that the firm’s or network firm’s personnel do not act or appear to act in a capacity equivalent to a member of audit client management.

\(^2\) i.e. an entity under common control, ownership or management with the firm (or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm nationally or internationally).
When the firm, or a network firm, provides an audit client with assistance in the performance of internal audit activities or undertakes the outsourcing, any self-review threat created may be reduced to an acceptable level by a clear separation of:

- the management and control of the internal audit by client management;
- the internal audit activities.

Performing a significant portion of an audit client’s internal audit activities may create a self-review threat. Appropriate safeguards should include the audit client’s acknowledgement of its responsibilities for establishing, maintaining and monitoring the system of internal controls.

Other safeguards include:

- the audit client designating a competent employee, preferably within senior management, to be responsible for internal audit activities;
- the audit client, audit committee or supervisory body approving the scope, risk and frequency of internal audit work;
- the audit client being responsible for evaluating and determining which recommendations of the firm should be implemented;
- the audit client evaluating the adequacy of the internal audit procedures performed and the resultant findings by obtaining and acting on reports from the firm; and
- appropriate reporting of findings and recommendations resulting from the internal audit activities to the audit committee or supervisory body.

Consideration should also be given to whether such non-assurance services should be provided only by personnel not involved in the financial statement audit engagement and with different reporting lines within the firm.

### 6 REQUIREMENTS IN GROUP AUDITS

**Tutorial note:** The answer which follows is indicative of the range of points which might be made. Other relevant material will be given suitable credit.

(a) **Significant issues**

**Tutorial note:** The objective of the IAASB’s project on the audit of group financial statements (‘group audits’) was to deal with special considerations in group audits and, in particular, the involvement of other auditors. The re-exposure of ISA 600 (Revised and Redrafted) in March 2006 (following initial publication of a proposed revised ISA in December 2003 and an exposure draft in March 2005) reflects the significance of the issues that the IAASB has sought to address.

**Sole vs divided responsibility**

The IAASB has concluded that the group auditor has sole responsibility for the group audit opinion. Thus the exposure drafts eliminate the distinction between sole and divided responsibility. Therefore no reference to another auditor (e.g. of significant components) should be made in the group auditor’s report. The practice of referring to another auditor may, arguably, be more transparent to users of group financial statements. However, it may also mislead users to believe that the group auditor does not have sole responsibility.

**Definition of group auditor**

The group auditor is the auditor who signs the auditor’s report on the group financial statements. The project has sought to clarify whether, for example, an auditor from another office of the group engagement partner’s firm is a member of the group engagement team or an ‘other auditor’.

**‘Related’ vs ‘unrelated’ auditors**

IAASB recognises that the nature, timing and extent of procedures performed by the group auditor, including the review of the other auditor’s audit documentation, are affected by the group auditor’s relationship with the other audit. (For example, if the other auditor operates under the quality control policies and procedures of the group auditor.) However, IAASB acknowledges that a consistent distinction between ‘related’ and ‘unrelated’ auditors cannot be made due to the varying structures of audit firms and their networks. Consequently, the only distinction that is made is between the ‘group’ and ‘other’ auditors.

**Acceptance/continuance as group auditor**

A group auditor should only accept or continue an engagement if sufficient appropriate evidence is expected to be obtained on which to base the group audit opinion. Acceptance and continuance as group auditors therefore requires an assessment of the risk of misstatement in components. IAASB has therefore proposed guidance on the benchmarks that might be used in identifying significant components.
Access to information
IAASB has concluded that a group audit engagement should be refused (or resigned from) if the group engagement partner concludes that it will not be possible to obtain sufficient appropriate audit evidence, the result of which would be a disclaimer. However, if the group engagement partner is prohibited from refusing or resigning an engagement, the group audit opinion must be disclaimed.

Aggregation of components
Sufficient appropriate audit evidence must be obtained in respect of components that are not individually significant (but significant in aggregate). This requires that components be selected for audit procedures (e.g. on specified account balances). Analytical procedures are required to be performed on components that are not selected. IAASB has therefore identified factors to be considered in selecting components that are not individually significant.

Responsibilities of other auditors
Historically, other auditors, knowing the context in which their work will be used by the group auditor, have been required to cooperate with the group auditor. However, the project did not address guidance for other auditors. Therefore, in providing guidance on the group audit, the IAASB requires the group auditor to obtain an understanding of the requirements for other auditors to cooperate with the group auditor and provide access to relevant documentation.

(b) Need to analyse the group structure
A certain amount of analysis of the group structure will be undertaken before an auditor accepts the role of group auditor, particularly if the auditor is not directly responsible for the whole group.
An analysis of the group structure is necessary to:

■ ensure that particular attention is given to the more unusual aspects of corporate structures (e.g. partnership arrangements that may be a joint venture, components in tax havens, shell companies and horizontal groups);
■ arrange access to information relating to all ‘significant’ components (i.e. those representing 20% or more of group assets, liabilities, cash flows, profit or revenue), on a timely basis;
■ identify the applicable financial reporting framework for each component and any local statutory reporting requirements;
■ plan work to deal with different accounting frameworks/policies applied throughout the group and differences between International Auditing Standards (ISAs) and national standards;
■ integrate the group audit process effectively with local statutory audit requirements;
■ identify related parties and effectively audit the completeness of disclosures in the group accounts in accordance with IAS 24 Related Party Disclosures.

Any doubts about the group structure will need to be clarified against publicly available information as soon as possible to ensure an effective audit of the relevant components (i.e. subsidiaries, associates and joint ventures). The auditor can then plan the level of assurance required on each component well in advance of the year end.

Having established thoroughly the group structure from the outset the auditor will then need only to update the structure for changes year-on-year.

(c) Likely effectiveness of standard questionnaires
Most group auditors obtain information from other auditors through questionnaires in the form of yes/no requests and/or detailed questions.

Standard yes/no questionnaires are widely used because, for example, they:

■ can be completed more quickly by someone already familiar with their form and content;
■ facilitate summarisation of responses from other auditors by the group auditor.

However, a standard questionnaire may be less effective than a ‘bespoke’ one in that it is likely to ask unnecessary questions. This may result in the other auditor finding the questions to be ‘not applicable’ and regarding completion of the questionnaire as a form-filling exercise, rather than providing the group auditor with essential information.

Nevertheless, there is a danger that questionnaires that are not based on some standard form may overlook or otherwise omit some significant issues and therefore fail to alert the group auditor to a potential risk area.

Thus a balance needs to be struck between requesting enough information for the group auditor to form their own view without requesting meaningless ‘box-ticking’ questions that do not deal with the issues. Questionnaires that get longer and longer are likely to lose their effectiveness especially if they are to be used in different locations/jurisdictions.

Questionnaires will cover a broad range of topics such as qualifications, competence/experience, compliance with ISAs (and ISQC 1), audit findings, subsequent events, etc. Therefore there will be a tendency to length (completeness) rather than quality (relevance).

In conclusion, questionnaires should:

■ avoid over-use of yes/no questions which may encourage laxity;
■ not ask for information that has already been provided or which is unnecessary; and
■ be adequately tailored.
Marks must only be awarded for points relevant to answering the question set. Unless otherwise indicated, marks should not be awarded for restating the facts of the question.

For most questions you should award 1/2 a mark for a point of knowledge, increased to 1 mark for the application of knowledge and 1 1/2 marks for a point demonstrating the higher skill expected in Part 3.

The model answers are indicative of the breadth and depth of possible answer points, but may not be exhaustive.

Most questions require candidates to include a range of points in their answer, so an answer which concentrates on one (or a few) points should normally be expected to result in a lower mark than one which considers a range of points.

In awarding the mark to each part of the question you should consider whether the standard of the candidate's answer is above or below the pass grade. If it is of pass standard it should be awarded a mark of 50% or more, and it should be awarded less than 50% if it does not achieve a pass standard. When you have completed marking a question you should consider whether the total mark is fair.

Finally, in awarding the mark to each question you should consider the pass/fail assessment criteria:

- Adequacy of answer plan
- Structured answer
- Inclusion of significant facts
- Information given not repeated
- Relevant content
- Inferences made
- Commercial awareness
- Higher skills demonstrated
- Professional commentary

In general, the more of these you can assess in the affirmative, the higher the mark awarded should be. If you decide the total mark is not a proper reflection of the standard of the candidate's answer, you should review the candidate's answer and adjust marks, where appropriate, so that the total mark awarded is fair.
1 (a) Matters to be considered

Generally $\frac{1}{2}$ mark each relevant matter identified
+ up to 1 mark for explanation

Ideas

- Competence/experience
- Objectivity impairment
- Resources/timescale
- Any imposed limitation
- Audit fee constraint
- Materiality
- Group audit
- Permission to communicate
- Future opportunities

(b) Effect of acquisition on planning next year’s audit consolidated financial statements audit

Generally 1 mark each point contributing to an explanation to a
maximum 3 marks each effect

Ideas

- Group structure
- Preliminary materiality assessment
- Goodwill acquired
- Reliance on experts (brand/fair values)
- IFRS 3 – completeness of net assets acquired
- Impairment of intangibles
- Liabilities – actual and contingent
- Group (related party) transactions and balances
- Other auditors – group instructions
- Accounting policies
- Timetable

(c) Criteria

Generally $\frac{1}{2}$–1$\frac{1}{2}$ marks each suitable criterion

Ideas

- Timeliness
- Clarity, constructiveness, conciseness (‘3 Cs’)
- Illustrative examples
- Factual accuracy
- Tiered structure
- Staff/management responses
- Client’s perspective
- Professional tone

3 i.e. those ‘matters’ that might apply to any audit engagement – though the answer points must then be tailored to Di Rollo
2 (a) ‘PFI’
Generally 1 mark each point of explanation

I Ideas
- definition
- forecast vs
- projection

(b) Matters to be considered
Generally $\frac{1}{2}$ mark each relevant matter identified
+ up to 1 mark for explanation

I Ideas
- Purpose of PFI – external vs internal use
- Report/level of assurance required – ‘negative’
- Nature of engagement = examination to obtain evidence
- Examination = inquiry + analytical procedures
- Period covered
- Management’s previous experience, if any, in preparing PFI
- Basis of preparation of forecast
- Any standards/guidelines followed
- Time and fee budget

(c) Examination procedures
Generally 1 mark each point contributing to a description of procedures

I Ideas
- procedure ideas
- general (to both forecast balance sheet and income statement)
- specific (to forecast balance sheet or income statement)
- arithmetic accuracy
- tenders for new equipment
- assumptions, bases, etc (e.g. useful lives)
- analytical procedures (e.g. inventory turnover, average collection period)
- vouching to available historic financial information

(d) Professional accountant’s liability
Generally 1 mark each point contributing to a discussion of liability/measure to reduce

I Ideas
- Liability
  - How liability arises
  - To whom liable
- Measures to reduce
  - Disclose assumptions
  - Caveats
  - Warnings
  - Disclaimers
  - Reporting
  - Wording
  - Terms of engagement
  - Liability cap
  - Indemnity
3 (i) Matters
Generally 1 mark each comment
max 6 marks each issue \times 3

\begin{itemize}
\item materiality (appropriately assessed)
\item relevant IFRSs (e.g. IAS 2, 16, 24, 36)
\item fundamental concepts (capital vs revenue)
\item risks (e.g. valuation (obsolescence)/disclosure)
\end{itemize}

(ii) Audit evidence
Generally 1 mark each item of audit evidence (source)
max 6 marks each issue \times 3

\begin{itemize}
\item documented on WP file – current vs PY
\item internal (e.g. age analysis) vs external (e.g. monthly returns)
\item auditor generated (analytical procedure)
\item results of procedures by which obtained (e.g. physical inspection)
\end{itemize}

\begin{itemize}
\item max 20
\item (a) max 7
\item (b) max 7
\item (c) max 6
\end{itemize}

\underline{20}
4 (a) **Audit report terms**
Generally 1 mark each point of explanation/distinction max 6

<table>
<thead>
<tr>
<th>Ideas (ISA 701)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanation of each term</td>
</tr>
<tr>
<td>Which do and which do not affect the audit opinion</td>
</tr>
<tr>
<td>Pervasive vs merely material</td>
</tr>
<tr>
<td>Limitation (= insufficient evidence)</td>
</tr>
<tr>
<td>Disagreement (= sufficient evidence)</td>
</tr>
</tbody>
</table>

(b) (i) **Selective revaluation of premises**
Generally 1 mark an implication/comment thereon max 5

<table>
<thead>
<tr>
<th>Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>materiality assessed</td>
</tr>
<tr>
<td>not pervasive</td>
</tr>
<tr>
<td>adjusting event (IAS 10)</td>
</tr>
<tr>
<td>non-compliance IAS 16 ⇒</td>
</tr>
<tr>
<td>reversal of revaluation adjustments OR</td>
</tr>
<tr>
<td>qualified ‘except for’ disagreement (IAS 16)</td>
</tr>
<tr>
<td>change in accounting policy (next year)</td>
</tr>
<tr>
<td>impairment (IAS 36)</td>
</tr>
<tr>
<td>– insufficient evidence ⇒ limitation ⇒ ‘except for’</td>
</tr>
<tr>
<td>– sufficient evidence ⇒ disagreement ⇒ ‘except for’</td>
</tr>
</tbody>
</table>

(ii) **10-year guarantee**
Generally 1 mark an implication/comment thereon max 4

<table>
<thead>
<tr>
<th>Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matter is material</td>
</tr>
<tr>
<td>Present obligation … probable … etc</td>
</tr>
<tr>
<td>Not a contingent liability</td>
</tr>
<tr>
<td>Best estimate – how determinable</td>
</tr>
<tr>
<td>‘Except for’ disagreement non-compliance IAS 37</td>
</tr>
</tbody>
</table>
5 (a) ‘Assurance team’
Generally 1 mark each point

<table>
<thead>
<tr>
<th>Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>• engagement team +</td>
</tr>
<tr>
<td>• others with direct influence</td>
</tr>
<tr>
<td>• overseers</td>
</tr>
<tr>
<td>• technical/industry consultants</td>
</tr>
<tr>
<td>• quality controllers</td>
</tr>
</tbody>
</table>

(b) Draft guidance
Generally 1 mark each point of explanation

<table>
<thead>
<tr>
<th>Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threats to independence</td>
</tr>
<tr>
<td>• self-interest/self-review</td>
</tr>
<tr>
<td>• familiarity/intimidation</td>
</tr>
<tr>
<td>• management</td>
</tr>
<tr>
<td>Possible safeguards</td>
</tr>
<tr>
<td>• prohibition</td>
</tr>
<tr>
<td>• separate partners/staff</td>
</tr>
<tr>
<td>• policies and procedures (specified)</td>
</tr>
<tr>
<td>• disclosure (e.g. to audit committee)</td>
</tr>
</tbody>
</table>

(i) max 5
(ii) max 3
(iii) max 4

15
6  (a) Significant issues
   Generally $\frac{1}{2}$ mark each issue stated
   + up to 1 mark for outline
   \[\text{Ideas}\]
   ■ Sole vs divided responsibility
   ■ Definition of group auditor
   ■ ‘Related’ vs ‘unrelated’
   ■ Acceptance/continuance as group auditor
   ■ Access to information
   ■ Aggregation of components
   ■ Responsibilities of other auditors

(b) Need to analyse the group structure
   Generally 1–1\(\frac{1}{2}\) marks each point of explanation
   \[\text{Ideas}\]
   ■ Unusual corporate structures
   ■ Access to information
   ■ Applicable financial reporting framework
   ■ Planning – different auditing standards
   ■ Related parties

(c) Standard questionnaires
   Generally 1–1\(\frac{1}{2}\) marks each comment on likely effectiveness
   \[\text{Ideas}\]
   ■ Types of questionnaires
   ■ Advantage(s) vs
   ■ Disadvantage(s)
   ■ Need to balance – tailoring
   ■ Conclusion

\[15\]