

Candidate's answer

Briefing notes

Introduction

These briefing notes provide relevant matters to be considered regarding the planning process for the new client, the Crux Group (the Group).

批注 [yx1]: Communication mark – 0 mark
没有使用简报格式和结构，虽然有标题贯穿始终，但介绍很少（且没有实际意义），没有标准格式。

批注 [yx2]: 应该简单抄 requirement

(a) Audit risks evaluation

Materiality is calculated at \$8.1million (10% PBT)

批注 [yx3]: Analysis and evaluation – 0 marks 没有排序，完全是案例顺序。正确的应该是：New client, Revenue, PPE, Security attack (IC + Compliance), RP, Licence, BC, Segment

批注 [yx4]: Communication mark – 1 mark
按照题目要求，以 PBT 来计算 ML

Upgrade and maintenance of the Sunseeker Cruises

The Group will spend \$75 million on upgrading and maintenance of the Sunseeker Cruise ships. As well as refurbishment, several ships have been enhanced by the installation of new entertainment facilities including cinemas and gyms. The \$75 million upgrade is representing approx. 4.2% of the total assets and 92.6% of the profit before tax – therefore it is a material for the financial statements. If the management will account for these upgrades as an additions to the property plant and equipment, there is a risk that not all of the additions would meet the capitalization requirements. That means that the both property, plant and equipment line item and the profit before tax might be overstated. Also, there is a risk of inappropriate depreciation rates used for the new entertainment facilities including cinemas and gyms. Equipment in the gyms will need to be replaced on average every three years, and so considering the economic usefulness, relevant depreciation rates shall be considered in this matter.

批注 [yx5]: 没有使用之前算过的 ML

批注 [yx6]: Professional scepticism and judgement – 1 mark
有效质疑，以支持关键事实和决策

Acquisition/ recognition new ships (Explorer Cruises) - related party transaction considerations

Two new ships with a total cost of \$110 million will come into use. The ships were constructed by Vela Shipbuilders Co, a company which is not owned by the Group. However, the chairman of the Group, Max Draco, is also the chairman of Vela Shipbuilders Co, and his son is the company's chief executive officer. A further three ships are currently under construction by Vela Shipbuilders Co. Apart from the quantitative aspects of above information and its significant impact on the financial statements from the perspective of the statement of the financial position (\$110 million acquisition represent approx. 6% of the total assets therefore material to the financial statements), the related party transactions are considered very important to the financial statements from the qualitative

批注 [yx7]: ** 知识分
抄写案例信息 0分
指出 Material，但没有用之前的 ML
准则 - recognition criteria 0分
风险 - condition not meet, capitalised 1分
影响 - Overstate PPE & profit 1分

Component depreciation – 1分

批注 [yx8]: 抄写案例信息 0分

information. The mentioned transaction represents the related party transactions and there is a risk of not sufficient disclosures. Also the audit team shall consider the other aspects of these transactions in their planning procedures such as evaluation of the appropriateness/ arm- length basis rules of the transactions terms such as e.g. transaction price. The audit team shall also consider requesting relevant representations from the management as a supporting audit evidence in this matter.

批注 [yx9]: 指出 by nature material, 但没有用之前的 ML 0.5 分

批注 [yx10]: 准则 - why RPT 直接跳到结论 0 分
风险 - Inadequate disclosure 1 分

批注 [yx11]: 交易价格, 管理层声明书 (证据, 不是风险了)

Notes payable (loan taken) recognition and accounting (Explorer Cruises)

The purchase of the ships was financed through a \$110 million loan with a fixed interest rate of 6% per annum. A further three ships are currently under construction by Vela Shipbuilders Co. The Group has taken out a loan of \$180 million with a 6.5% fixed interest rate to finance this capital expenditure. There are several risks related to these loans. The audit team shall consider relevant aspects of the details/ key characteristics (e.g. if the assets are contingent/ 'mortgaged', if any financial covenants apply to the loan taken) of the loan and plan relevant audit procedures in order to gain desirable level of assurance. The loans jointly represent 15% of the total assets there it is material for the financial statements. There is a risk that inappropriate accounting is applied for these loans e.g. amortized - cost / fair value, so that the notes payable (liabilities) might be understated.

批注 [yx12]: 计算 BC 超过 ML
准则 - QQ 条件 0 分
风险 - 资本化费用化, 利息计算等 0 分

这里讨论借款细节, 审计程序, 计量方式等, 过度引申, 不得分

Revenue recognition from ticket sales

Revenue includes passenger ticket sales, which accounts for approximately 85% of revenue. When customers book a cruise they are required to pay a refundable 20% deposit, which is initially recognised as deferred revenue. The balance of 80% is paid at least six weeks before the cruise commences and at that point it is also recognised as a deferred revenue. The full amount of the ticket price is transferred to revenue when the cruise starts irrespective of the duration of the cruise. With the deferred payments that the customers are obliged to pay in advance, there is a risk of the revenue recognition timing. Based on the relevant accounting standard e.g., International Financial Reporting Standards (the IFRS) i.e., IFRS 15 dealing with matters related to the revenue, the revenue shall be recognized only if the performance obligations have been fulfilled. In this case, the revenue might be recognized too early that is, while the customers pay their deposits. The risk might be significant also considering the fact that the management

批注 [yx13]: 抄写案例信息 0 分

批注 [yx14]: 准则 - PO satisfy 1 分
风险 - 不相关, 题目已经说了 deferred
Group is performing its obligations over time, which may be as long as a six-week, 不是在航程开始时

might not monitor closely as it does with regarding to the less substantial revenue stream (on-board sales).

批注 [yx15]: 尝试对风险进行优先排序, 但理由不充分, 解释也不清楚 0分

Pioneer Cruise itineraries withdrawal of operating licenses

Last week, the governments of several countries which form a major part of the Pioneer Cruise itineraries withdrew their operating licences with immediate effect. The governments have stated that this is likely to be a temporary measure being put in place to limit the number of tourists visiting areas of natural beauty, but they will not confirm when the Group can resume operations. There is a risk of impairment of the intangible assets as they might no longer be economically useful. Based on the relevant standard i.e. International Accounting Standard (IAS) 36, if relevant factors are met that could indicate that e.g. an asset might be no longer used - the entity shall perform relevant test to confirm if there is any impairment recognition requirement. It seems like withdrawal of operating licences is the event triggering the need of performing impairment test - therefore the intangible assets might be overstated.

批注 [yx16]: 抄写案例信息 0分

Cyber-security attack

Last month, the Group suffered a cyber-security attack in which the personal information of 1,400 customers, including their credit card details, were stolen. According to a representative of the Group audit committee, the Group's internal audit team had not properly assessed the risks relating to cyber-security, which is a requirement of recently introduced data protection legislation in the jurisdiction in which the Group operates. The issue which led to the cyber-security attack has now been resolved. There are several risks that the Group can face. The customers might sue the Group due to the fact that their personal details were stolen - i.e. there could be a need for providing relevant provisions considering the IAS and IFRS requirement i.e. in the event of past events that can end up with negative cashflow outcome in the future. There is also a risk that the Group can face a penalty since the data protection legislation in the jurisdiction in which the Group operates was breached/ was not followed.

批注 [yx17]: 准则 - Impair indication & test 1分
风险 - No/ Inadequate impairment, 且没有结合案例, 案例中 57-56 仅仅下降 1, 大概率没有减值, 没有终止确认 0分
影响 - Overstate IA 1分

批注 [yx18]: 抄写案例信息 0分
尽可能简短, 节省时间并抓住重点: 诉讼风险? 不合规撤销 licence?

批注 [yx19]: Provision?
准则 - 3 个条件没说清楚 0分
风险 - No/ Insufficient provision 0分
影响 - Understand lia & exps 0分

批注 [yx20]: 风险 - Non-compliance & penalty 1分
影响 - Understand lia & exps 0分

(b) Principal audit procedures - segmental information

(c) Matters to be considered - social and environmental information advice engagement

Summary

Several audit risks were identified and evaluated which should be considered during the planning process of the audit of the Group. The briefing notes also include the proposed audit procedures with respect to the segmental information of the Group's revenues. With respect to the additional service requested by the Group audit committee, it might not be appropriate to accept this engagement considering mostly the potential lack of specific related knowledge and the staffing requirement in such short deadline. Finally, the briefing notes include how data analytics can bring these benefits to an audit like that of the Group.

批注 [yx21]: No marks

重复之前的评论，没有发展或突出重大风险，比如：最重要的是 12

批注 [yx22]: 整体 Communication mark – 2 marks

风格，语言和清晰度：适当的布局和简报的基调，重要性和相关计算的展示，适当使用 CBE 工具，易于理解

有效性和清晰的沟通：答案相关并根据场景定制

Although no layout mark, they are presenting things in a clear and easy to understand layout.

Technical:	Marks
Part (a)	8-9
Part (b)	--
Part (c)	--
Professional:	
Communication	3 整体 2+ML1
Analysis and evaluation	0
Professional scepticism and judgement	1 评估风险和影响
Commercial acumen	2 (给在 Part C 额外收入)