

## **CASE ONE: STAFF PERFORMANCE ISSUES**

A junior member of staff has just returned to work after taking special leave to care for her elderly mother. For financial reasons she needs to work full-time. She has been having difficulties with her mother's home care arrangements, causing her to miss a number of team meetings (which usually take place at the beginning of each day) and to leave work early. She is very competent in her work but her absences are putting pressure on her and her overworked colleagues. You are her manager, and you are aware that the flow of work through the practice is coming under pressure. One of her male colleagues is beginning to make comments such as "a woman's place is in the home", and is undermining her at every opportunity, putting her under even greater stress

## **CASE TWO: CONFLICT OF INTEREST**

A CPA firm performed bookkeeping and tax services for an optometry practice, as well as its two doctors. One doctor decided to retire. The CPA discussed options with the retiring doctor, who decided to sell his practice to the other doctor on an instalment basis. Following the sale, the CPA continued to provide services to the remaining doctor and the practice. Two years later, the practice was not doing well and the remaining doctor defaulted on the instalment note. The retired doctor brought a claim against the CPA asserting he had provided inadequate advice regarding the drawbacks of an instalment sale. He further asserted that the CPA had a conflict of interest as a result of the CPA's desire to retain the practice and the other doctor as clients.

## **CASE THREE: FINANCIAL INTEREST**

You are a partner in a three-partner firm of accountants. The firm generates fees of approximately £1.4 million per annum. Within your portfolio of clients is Company A, which has been very successful since it first came to your firm five years ago. It now has an annual turnover in excess of £15 million. Company A generates annually recurring fees for the practice of approximately £50,000, of which approximately £35,000 is in respect of audit work and £15,000 relates to routine tax calculations and preparation of the corporation tax return. Your firm has a separate tax department, which performs the tax compliance work in respect of Company A. The company's financial year end is December. Last year the audit work commenced in June, and the audit report was finally signed in August. By the end of August, the tax return had been submitted to the taxation authority, and the firm's invoice had been issued to Company A. In September a significant customer of Company A went into receivership, and Company A suffered a large bad debt. The directors approached you immediately, and were very open about

the company's short-term cash flow problem. Therefore, you agreed that payment of the firm's invoice of £50,000 could be spread over ten months, commencing in October. Company A also needs the support of its bank and, in December, it was negotiating a modest increase in its overdraft facility. It is now early March, and the bank has requested audited financial statements by the end of the month. The audit is well underway, and you have promised the directors of Company A that the bank will have the audited accounts on time. The planning of the audit was performed by the audit senior and reviewed by the audit manager for the assignment (in whom you have a great deal of confidence). Due to pressure of work, you did not review the audit plan in detail before the audit team commenced the year end audit work, and so you decide to review and sign off that section of the audit file now. You note that the audit manager has correctly identified going concern as the area of the audit attracting greatest risk. However, at the time of planning the audit, the manager was unaware of the credit agreement reached with regard to the payment of last year's fees. You check your firm's records, and determine that Company A still owes the firm £25,000

**REQUIRED;**

For each case

- 1) Identify the principles involved
- 2) The parties, facts of the case and way forward