

Name _____

I. **Inherent Risk:**

1. What is the main Balance Sheet Account involved in the Leslie Fay Fraud? _____
2. Name four (4) Inherent Risks associated with the Balance Sheet Account you have named.

3. What is the main Income Statement account involved in the Leslie Fay Fraud? _____

II. **Preliminary Analytical Procedures:** Using the financial statement data found in the Leslie Fay case, prepare the following preliminary analytical procedures on an MSEXcel, or other spreadsheet:

- Trend (horizontal) analysis for 1987 – 1991 for the balance sheet and income statement.
- Common size (vertical) analysis of major account groups on the Balance Sheet and Income Statement for 1990 and 1991.

Using your Preliminary Analytical Procedures and the ratios provided in the Leslie Fay case for 1991 and industry averages for 2011 from RMA e-statements, answer the following questions:

4. What industry would you place Leslie Fay into? _____
5. What NAICS code did you use to get your industry averages? _____
6. Name four Balance Sheet and/or Income Statement Accounts where the Trend Analysis indicates the possibility for increased audit assertion risk.



7. Name four (4) Balance Sheet and/or Income Statement accounts which are materially different (above or below) the industry averages.

8. Which two ratios should you consider when comparing them to the industry averages?

9. Did you identify the main Balance Sheet account involved in the fraud in your audit assertion risk analysis?

_____ (Yes/No)

Attach a copy of your spread sheet(s) to this Week 1 audit assertion risk evaluation.