Exhibit 1 – Company information

You are a manager in the audit department of Carter & Co, and are responsible for the audit of Visean Co, which manufactures health and beauty products and distributes them through a chain of 72 retail pharmacies. The final audit for the year ended 28 February 20X5 is nearing completion and you are reviewing the audit working papers. The draft financial statements show operating profit before taxation of $1.83 million (20X4 – $1.24 million) and total assets $18.4 million (20X4 – $12.7 million).

Visean Co owns nine brand names of fragrances used for ranges of products (eg perfumes, bath oils, soaps, etc) four of which were purchased and five self-created. Purchased brands are recognised as an intangible asset at cost amounting to $589,000 and amortised on a straight-line basis over ten years. The costs of generating self-created brands and maintaining existing ones are recognised as an expense when incurred. Demand for products of one of the purchased fragrances, 'Ulexite', fell significantly in March 20X5 after a marketing campaign in February caused offence to customers.