

Team Meeting script notes

Marcus and Lindsay are in a meeting room at an office (location 1).

Sharon and Mohamed are dialing in from home (locations 2 and 3).

Marcus - Engagement leader

Sharon - Engagement manager

Lindsay - Team member

Mohamed - Team member

Mohamed Script

Mohamed

Yes... What are some of the risks and challenges that Jimmy's Gym faces?

Mohamed

The revenue FSLI is likely to be impacted by the new memberships, changes in pricing policies and increased in-centre revenues.

I also think the investment in refurbishment or new equipment will have an impact on Property, Plant and Equipment. While salaries and other employee benefit expenses and centre operations expenses will be impacted by the recruitment of new trainers for the new centres.

I can't think of any additional changes or impacts on the other FSLIs I will be testing.

Sharon script

Sharon

Thanks Marcus. The business processes of each club are all performed and controlled at the head office in Copenhagen, where the accounting, controlling and IT personnel are. The financial year end is 31 December and the company applies local GAAP which is broadly aligned with IFRS.

Since the fitness industry is characterised by sales that are sensitive to macro-economic consumer attitudes, success in the industry is highly dependent on the location and environment of the fitness club, as well as the demographics of the customers.

We are all aware that the emerging health and weight loss business presents lots of opportunities and is expanding. Jimmy's Gym is aiming to take advantage of this and is keen on expanding on their locations, programs and services.

They are already offering a variety of monthly membership types (including bronze, gold, platinum and kids). They plan to grow their subscription-based model to include new types of memberships with limited or no regular centre access. These may include activity specific memberships for example, swimming only memberships or a selection of limited activities pack customised to one's preference that are not limited to use within a month for customers that do not frequent the gym on a regular basis.

Does anyone have any questions at this point?

Sharon

Thanks Mohamed. That's a good question. Let me bring up the slide on risks... One of the challenges is the threat of their competitors penetrating the market and customers expecting high quality service for less or flexible membership fees. Jimmy's Gym has three main competitors: Fit for Gym & More, Kaiser Training, and Fitness Time Life.

As highlighted by Marcus, one of the company's strategies is expanding their locations, programs and services. This may result in new operational risks for the entity, as well as audit risks for our team to consider. Operationally, new centre openings may put increased pressure on the centre management. We'll want to find out if performance targets are based on sales figures. If they are, then thinking about the fraud triangle... we need to be aware that incentives for fraud may be increased, and factor this into our risk assessment.

That won't be the only impact - Jimmy's Gym growth strategy is likely to impact several FSLIs and business processes.

[pauses and looks at the room]

You've had a chance to look at the project plan for this audit and review the prior year audit file. Based on the FSLIs assigned to you, what do you think you need to consider?

Lindsay script

Lindsay

Still on the purchasing and payable business process - investment in new centres and related services are likely to impact general expenses.

Repairs & maintenance will have an impact on the operating expenses.

While hosting events will impact marketing and advertising expenses.

Marcus script

Marcus

Since starting operations in 2012, Jimmy's Gym has been our audit client. It's a family-owned business that operates three fitness clubs in the residential shopping districts of some of the larger communities in Denmark. It's headquartered in Copenhagen, with gym centres in Aarhus, Odense and Copenhagen. They are also looking to expand into other cities.

Their target customers include health conscious adults and teenagers, or those who are interested in fitness. Their philosophy is to offer innovative fitness products, an enhanced gym experience with a focus on service, expertise, health and wellness. Their aim is to provide customers with comprehensive solutions to health, fitness, weight loss and nutrition in a diverse and practical way.

All the gyms have a range of facilities including a swimming pool, running track, boxing ring, tennis and squash courts. They also offer fitness classes, private sessions with personal trainers and healthy snacks and drinks.