

Monday 22nd Feb Auditing:

①

DEBTORS - Goodfoot example question

STEPS:

1) Obtain a breakdown of total debtors.

2) ~~Test~~ Test arithmetically correct. (Check ^{balance} ~~add~~ adds up).

3) Select a sample of debtors for testing

Always pick as a sample. {
- Material Balances (what is a large balance is not large for another.)
- Unusual Balances (Zero balances, old balances, credit balances etc).

4) Perform debtors' circularization. - Writing letter to the debtor to confirm that the balance is correct at end of year. External evidence as coming from customer. Performed at the start of audit, ~~not~~ before full audit starts.

5a) IF customer confirms balance, no further work.

5b) IF customer does not confirm balance,
- Investigate the discrepancy and discuss with management. (Credit Control dept. M&R for e.g.)
+ AND ensure any amendments are made.

6) IF customer does not return letter:

- Call/e-mail as a reminder.
- Confirm balance to Post Year End Cash Receipts book.
- If balance hasn't yet been paid, confirm to sales invoices.

Bad & Doubtful debts

(2)

- 1) Obtain a breakdown of the provision for doubtful debts and also any bad debts written off.
(& discuss this with management. How they ~~pick~~ selected doubtful debts etc).
- 2) Obtain an aged debtors print.
- 3) Review all debtors over a certain age (60 days for example) to see if have been provided against. (If not discuss with management why?) (and obtain evidence).
Letter from customer for e.g. stating when going to pay.
Or ask management for a letter evidencing their verbal answer in writing.
- 4) Also perform some review of trends in debtors days/debtor collection period. Does it show they are slower or quicker paying compared to last year.