

The company is storing inventory

[Business](#), [Accounting](#)



The auditors will examine your procedures for halting any further receiving into the warehouse or shipments from it at the time of the physical inventory count, so that extraneous inventory items are excluded. They typically test the last few receiving and shipping transactions prior to the physical count, as well as transactions immediately following it, to see if you are properly accounting for them. ; Identity of the items in inventory. In buying some products in their suppliers is sometimes a problem to them. Because they sometimes mistaken the items that they buy. So they made an identity of the items in their inventory to make sure that they have a good transaction to the supplier.

This will also help to ease their checking in their inventory. ; Compiling the cost of the items in inventory to the general ledger. Every month, they check the total sold items in inventory. To verify the amount of the total sold items in inventory they also compile the general ledger of the items sold.

The general ledger serve as the basis of the records in the inventory. This will ensure that the money of the items sold will not leak. Comparing the total sales in the inventory.

Every year, they create another set of inventory. To examine if the total sales of the items is increasing or decreasing, they compare the last year inventory and the new inventory. They also do these, for them to know if they were able to increase the quantity of their materials. Overpriced items. They check their inventory every year. If the auditors noticed that some items that are usually in low price got high, they will spend time to double

check the items until they know the real price of the product. System
Flowchart [pick] Entity Relationship Diagram Toyota Company Proof.

Gillie C. If you have multiple inventory storage locations, they may test the inventory in those locations where there are significant amounts of inventory. They may also ask for confirmations of inventory from the custodian of any public warehouse where the company is storing inventory. ; Reconcile the inventory count to the general ledger. They will trace the valuation compiled from the physical inventory count to the company's general ledger, to verify that the counted lance was carried forward into the company's accounting records. Test high-value items. If there are items in the inventory that are of unusually high value, the auditors will likely spend extra time counting them in inventory, ensuring that they are valued correctly, and tracing them into the valuation report that carries forward into the inventory balance in the general ledger.

; Test error-prone items. If the auditors have noticed an error trend in prior years for specific inventory items, they will be more likely to test these items gain. ; Review freight costs. You can either include freight costs in inventory or charge it to expense in the period incurred, but you need to be consistent in your treatment – so the auditors will trace a selection of freight invoices through your accounting system to see how they are handled.

; Finished goods cost analysis. If a significant proportion of the inventory valuation is comprised of finished goods, then the auditors will want to review the bill of materials for a selection of finished goods items, and test them to see if they how an accurate compilation of the components in the

finished goods items, as well as correct costs. Inventory allowances. The auditors will determine whether the amounts you have recorded as allowances for obsolete inventory or scrap are adequate, based on your procedures for doing so, historical patterns, "where used" reports, and reports of inventory usage (as well as by physical observation during the physical count). If you do not have such allowances, they may require you to create them.

Inventory Equipment List gives Inventory Manager is received by checks and updates Accountants