

Detailed list of accounts receivable



Scan the detailed list of trade accounts receivable and investigate significant unusual items (e. g. , credit balances and zero balances). Done by Date ...

. /.. /.. GUIDANCE: When scanning the detailed list of accounts receivable (aged by customer, if practicable), the auditor should be alert for high risk conditions and unusual trends that may indicate audit risks that require further attention; for example, unusually high or low sales activity in the current period (30 days or less), concentration of balances among a few customers, customers with known financial difficulties, the existence of related company balances or unusually high levels of long overdue accounts. The auditor should also be aware of credit balances in the list because they may result from, among other things, unrecorded sales, erroneous entries to the accounts or, in some cases, special transactions or financing arrangements with customers.

Scrutiny of customer accounts by the credit department and others reduces the risk of error associated with credit balances. 12. When confirmations are not sent, for selected accounts: a. Compare subsequent remittances credited to the accounts with remittance advices or other receipts (e. g. , deposit slips and bank statement) and ascertain that payments relate to the account balances. b.

Examine documentation such as shipping documents, copies of sales invoices, customer sales orders, and other relevant correspondence supporting the unpaid portion of the account balances. Coordinate this test with the review of the collectibility of overdue accounts (see step 17b). Done by Date /.

. /.. GUIDANCE: This test requires a decision on extent of tests. The auditor should use judgment in determining the extent of tests after considering factors such as the assessments of control risk; type and frequency of errors in prior periods; use of the information by management, employees and third parties; and assurance expected from other substantive tests, including analytical procedures. Audit efficiency may result from performing this test together with step 7 relating to testing the accuracy of supporting documentation, if the test in step 7 is planned. REVIEW UNFULFILLED SALES COMMITMENTS (26).

26. If material losses could arise from unfulfilled sales commitments, assess whether a provision should be made for such potential losses, by inquiry of management, reference to contractual arrangements and examination of sales and shipping files. Determine whether provision for loss should be provide