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| --- | --- | --- | --- | --- |
| **Company** | **XYZ Limited** | | **W/P Reference** | **I-2.5** |
| **Prepared By** | MR. A |  | **Date** | DD/MM/YYYY | |
| **Reviewed By** | MR. B |  | **Date** | DD/MM/YYYY | |
| **Period ended** | 31-12-2014 |  |  | | | |  |  |  |

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| **Objective:** | To perform NRV test on inventory to check the valuation of inventory items held by XYZ Limited as at 31 December 2014. |
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| **Background of the testing:** | As per IAS 2, inventories are to be reported at lower of cost and net realisable value so that those should not be carried in excess of amounts expected to be realised from their sale or use. |
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| **Assertions covered:** | Valuation (V) |

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| **Work performed** | 1. Traced the estimated selling prices to recent sales invoices 2. Compared the estimated costs to complete the item 3. Evaluated historical ability to sell or return aged products 4. Obtained understanding of company’s method of calculating NRV 5. Determined that it is reasonable and consistent over years 6. Ensured that NRV is determined item by item basis 7. Compared the NRV and cost and ensured that lower one is recorded |
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| **Basis of selection** | 80 samples have been chosen randomly from each business class and different categories of products held at closing inventory as at 31 December 2014. (a portion of the sample selected is depicted below) |
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| Result of testing |

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|  | **STAGE OF** | **SELLING** | **LESS: (Cost to sell)** | |  | **NET** |  | **LOWER OF** | **ANALYSIS AND COMMENTS** |
| **PRODUCTS** | **COMPLETION** | **PRICE** | **SELLING** | | **OTHER** | **REALIZABLE** | **COST** | **COST AND** |
|  |  |  | **EXPENSES** | | **DIRECT** | **VALUE** |  | **NRV** |
|  |  |  |  |  | **EXPENSES** | **(NRV)** |  |  |
| A | 70.00% | 500,000.00 | 45,000.00 |  | 350,000.00 | 105,000.00 | 205,000.00 | 105,000.00 | Satisfactory |
| B | 50.00% | 700,000.00 | 45,001.00 |  | 350,000.00 | 304,999.00 | 104,999.00 | 104,999.00 | Satisfactory |
| C | 50.00% | 900,000.00 | 45,002.00 |  | 350,000.00 | 504,998.00 | 304,998.00 | 304,998.00 | Satisfactory |
| D | 80.00% | 650,000.00 | 45,003.00 |  | 350,000.00 | 254,997.00 | 154,997.00 | 154,997.00 | Satisfactory |
| E | 90.00% | 850,001.00 | 45,004.00 |  | 350,000.00 | 454,997.00 | 254,997.00 | 254,997.00 | Satisfactory |
| F | 65.00% | 900,000.00 | 45,005.00 |  | 350,000.00 | 504,995.00 | 904,995.00 | 504,995.00 | Satisfactory |
| G | 81.00% | 650,003.00 | 45,006.00 |  | 350,000.00 | 254,997.00 | 154,997.00 | 154,997.00 | Satisfactory |
| H | 90.00% | 750,004.00 | 45,007.00 |  | 350,000.00 | 354,997.00 | 454,997.00 | 354,997.00 | Satisfactory |
| I | 75.00% | 650,005.00 | 45,008.00 |  | 350,000.00 | 254,997.00 | 354,997.00 | 254,997.00 | Satisfactory |
| J | 85.00% | 450,006.00 | 45,009.00 |  | 350,000.00 | 54,997.00 | 64,997.00 | 54,997.00 | Satisfactory |
| K | 75.00% | 550,007.00 | 45,010.00 |  | 350,000.00 | 154,997.00 | 254,997.00 | 154,997.00 | Satisfactory |
| L | 80.00% | 950,008.00 | 45,011.00 |  | 350,000.00 | 554,997.00 | 654,997.00 | 554,997.00 | Satisfactory |
| M | 90.00% | 650,009.00 | 45,012.00 |  | 350,000.00 | 254,997.00 | 354,997.00 | 254,997.00 | Satisfactory |

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| **Conclusion** | No exception noted. |
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**Disclaimer: Dummy audit working files have been prepared and published to improve the quality of audit documentation of member firms providing audit services in Bangladesh. Member firms providing audit services should not assume these dummy working files as absolute benchmark for the purpose of preparing and keeping audit documentation. Every audit client has unique characteristics and risks. International Standards on Auditing (ISA) also requires to exercise engagement partner’s judgment on a number of areas in conducting the audit of an entity. Therefore, member firms should use their professional knowledge, skill, experiences along with these dummy working files to keep adequate and appropriate working papers for each audit engagement. The preparers do not assume any liability for drawing an inappropriate audit opinion based on the working papers prepared on the basis of these dummy working files.**