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| --- | --- | --- | --- | --- | --- | --- |
| **Company** | XYZ Limited | | **W/P Reference** | | **I-2.4** | |
| **Prepared By** | Mr. C |  | **Date** | | DD/MM/YYYY | |
| **Reviewed By** | Mr. B |  | **Date** | | DD/MM/YYYY | |
| **Period ended** | 31-Dec-2014 |  |  |  |  |  |

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| --- | --- |
| **Purpose** | To identify and justify the valuation method used in determining the value of inventory. |
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| **Objectives** | a. | Ensure that the valuation method applied correctly | |  |  |
| b. | Ensure that the valuation method applied is supported by IAS | |  |  |
| c. | Ensure that the valuation method is applied consistently |  |  |  |
|  |  | |  |  |

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| **Work performed** | a. | Obtained the policy of valuation | |  |  |
| b. | Obtained the schedule of valuation of inventory | |  |  |
| c. | Checked the valuation method applied |  |  |  |
| d. | Ensured that the same has been applied in previous year | |  |  |

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| Result of testing |

The company applies weighted average method for valuation of the inventory. We have selected an item of inventory and checked that the method is applied. An extract of an item is given below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Item | Opening balance (qty) | Opening balance (value) | Purchase/Issue (Qty) | Purchase/Issue (Value) | Closing Balance (Qty) | Closing balance (Value) |
| RM20143 | 10 | 1,000 | 5 | 200 | 15 | 1,200 |
| RM20143 | 15 | 1,200 | (5) | (400) | 10 | 800 |

The method is supported by IAS 2. We also checked that this method has been applied consistently over the years.

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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.**