

<b>Company</b>	XYZ Limited	<b>W/P Reference</b>	<b>I-2.3</b>
<b>Prepared By</b>	Mr. C	<b>Date</b>	DD/MM/YYYY
<b>Reviewed By</b>	Mr. B	<b>Date</b>	DD/MM/YYYY
<b>Period ended</b>	31-Dec-2014		

<b>Purpose of Physical Asset Verification</b>	As auditors within the scope of audit year ended 31 December 2014, we have ensured our attendance in physical verification of inventory conducted by XYZ Limited as at 1 January 2015. This process is conducted in order to ensure the existence as well as completeness of inventories recorded in the inventory management system.
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<b>Objectives</b>	<ul style="list-style-type: none"> <li>a. Ensured existence of inventories on site at due date.</li> <li>b. Examined the usability of inventories held at reporting date.</li> <li>c. Determined obsolete/damaged items.</li> <li>d. Checked control over inventory management system.</li> </ul>
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<b>Audit Techniques</b>	<ul style="list-style-type: none"> <li>a. Sheet to floor [<i>to check Existence</i>]</li> <li>b. Floor to Sheet [<i>to check Completeness</i>]</li> </ul>
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<b>Sampling Technique</b>	<p>For the purpose of this verification, we have randomly selected samples from the list of inventory provided to us by the management. The following areas of inventory were considered while selecting samples.</p> <ul style="list-style-type: none"> <li>a. Business-wise closing inventory of finished goods.</li> <li>b. Business-wise closing inventory of raw materials.</li> <li>c. Business-wise closing inventory of packing materials.</li> <li>d. Business-wise closing inventory of WIP.</li> </ul> <p>The major portion of inventory that were booked in the books of XYZ Limited as at 31 December 2014, consisted of inventory of &lt;product line&gt; and &lt;product line&gt;. Therefore we have conducted physical verification of inventory located at the &lt;factory location&gt;. By doing so we covered major portion of the inventory booked in the books of XYZ Limited.</p>
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<b>Work performed</b>	<ol style="list-style-type: none"> <li>1. the stock-take teams were properly briefed prior to commencing the count;</li> <li>2. the teams only include people who are not responsible for the storing and recording of stock and work in progress;</li> <li>3. stock was counted by teams of two (one counting and one checking and recording);</li> <li>4. the teams were asked to identify damaged, slow moving or obsolete stock, and</li> <li>5. the teams were made aware of any stocks held on behalf of third parties and these were excluded from the count.</li> <li>6. Determined whether: <ul style="list-style-type: none"> <li>- the teams were counting and recording accurately;</li> <li>- the teams were counting and recording accurately; the counts were being controlled to ensure that all stock was counted and only once, and</li> <li>- there was adequate control over stock sheets to ensure that they are all accounted for (eg, pre-numbered).</li> </ul> </li> <li>7. Where serially-numbered sheets are used, recorded the numbers of all sheets used at the end of the count.</li> <li>8. Selected a sample of items from completed stock sheets and check to ensure that the number has been recorded properly.</li> <li>9. Counted a sample of stock items and ensured that they have been recorded properly on the final stock sheets.</li> <li>10. Noted any old or damaged stock during the count. Ensured that it is marked as such on the final stock sheets.</li> <li>11. Ensured that no movements in or out took place during the stock-take.</li> </ol>
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<b>Attendees</b>	<b>From Auditor</b>	<b>From XYZ</b>
	<ol style="list-style-type: none"> <li>1. Mr. E</li> <li>2. Mr. F</li> <li>3. Mr. G</li> <li>4. Mr. H</li> </ol>	<ol style="list-style-type: none"> <li>1. Mr. R</li> <li>2. Mr. S</li> <li>3. Mr. T</li> <li>4. Mr. U</li> </ol>

<b>Mismatch in quantity</b>	During the stock count, in one item of raw material we have observed mismatch between physical quantity and quantity recorded in the list provided by the management. The figure was very insignificant.
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<b>Conclusion</b>	As the amount is insignificant, therefore it was ignored.
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<b>Attachment</b>	<ol style="list-style-type: none"> <li>1. Physical count report</li> <li>2. List of Raw material</li> <li>3. List of packing material</li> <li>4. List of work-in-progress</li> <li>5. List of finished goods</li> </ol>
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