

<b>Company</b>	XYZ Limited	<b>W/P Reference</b>	<b>I-2.4</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</b>	To identify and justify the valuation method used in determining the value of inventory.
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<b>Objectives</b>	<ul style="list-style-type: none"> <li>a. Ensure that the valuation method applied correctly</li> <li>b. Ensure that the valuation method applied is supported by IAS</li> <li>c. Ensure that the valuation method is applied consistently</li> </ul>
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<b>Work performed</b>	<ul style="list-style-type: none"> <li>a. Obtained the policy of valuation</li> <li>b. Obtained the schedule of valuation of inventory</li> <li>c. Checked the valuation method applied</li> <li>d. Ensured that the same has been applied in previous year</li> </ul>
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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.

<b>Conclusion</b>	No exception noted.
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