

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

<b>Objective:</b>	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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<b>Background of the testing:</b>	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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<b>Assertions covered:</b>	Valuation (V)
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<b>Work performed</b>	<ol style="list-style-type: none"> <li>1. Traced the estimated selling prices to recent sales invoices</li> <li>2. Compared the estimated costs to complete the item</li> <li>3. Evaluated historical ability to sell or return aged products</li> <li>4. Obtained understanding of company's method of calculating NRV</li> <li>5. Determined that it is reasonable and consistent over years</li> <li>6. Ensured that NRV is determined item by item basis</li> <li>7. Compared the NRV and cost and ensured that lower one is recorded</li> </ol>
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<b>Basis of selection</b>	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								
PRODUCT S	STAGE OF COMPLETION	SELLING PRICE	LESS: (Cost to sell)		NET REALIZABLE VALUE (NRV)	COST	LOWER OF COST AND NRV	ANALYSIS AND COMMENTS
			SELLING EXPENSES	OTHER DIRECT EXPENSES				
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

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