

Company	XYZ Limited	W/P Reference	I-2.6
Prepared By	MR. A	Date	DD/MM/YYYY
Reviewed By	MR. B	Date	DD/MM/YYYY
Period ended	31-12-2014		

Objective:	The objective of this work paper is to ensure that enough provision has been kept to ensure the reported value of inventory in the financial statement of the entity.
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Assertions covered:	Valuation (V)
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Work performed	<ol style="list-style-type: none"> 1. Obtained total schedule of closing inventory for each business during the year. 2. Obtained ageing of inventory as at 31 December 2014 for each item of inventory. 3. Obtained the policy to keep provision for impairment of inventory. 4. Recalculated the provision taken for slow moving items as per policy. 5. Obtained details of the basis for making provisions and determine if it is both adequate and consistent. Where the client determines the provision on the basis of a formula considered whether: <ul style="list-style-type: none"> - it is appropriate for the nature of business; - it is consistent; - it has been accurately applied, and - where the formula relies on the age of the stock or work in progress, checked to ensure that the ageing is accurate. 6. Reviewed the stock sheets and ensure that any items identified as damaged, slow moving or obsolete have been correctly written down. 7. Review all items of stock and work in progress and consider whether any further provision is necessary. <ol style="list-style-type: none"> (a) reviewed WIP and ensured that provision has been made against any 'old' jobs, and (b) when assessing the need for any further provision considered the following: <ul style="list-style-type: none"> - whether production levels are falling; - whether stock levels are high in comparison to orders received and anticipated demand; - any fluctuations in cost or selling price, and - any likely change in technology or market demands.
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Testing:

Business	Provision to be kept as per auditor's working	Provision kept as per entity	Difference
Total Impaired from <product line A>	(140,694,869)	(140,000,000)	(694,869)
Total Impaired from <Product line B>	-	-	-
Total Impaired from <Product line C>	(3,551,167)	(3,551,138)	(29)
Total Impaired from <Product line D>	-	-	-
Total Impair from <Product line E>	(678,154)	(987,740)	309,586
Total Impair from <Product line F>	(132,058)	(151,190)	19,132
Total Impair from <Product line G>	(35,719,969)	(35,700,000)	(19,969)
Total Impair from <Product line H>	(488,871)	(488,992)	121
Total to be impaired	(181,265,088)	(180,879,060)	(386,028)

Conclusion	The difference is very insignificant.
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