

Procedure	Objective	Project Guidelines
1 Perform analytical procedures and follow up on significant changes from prior years.	N/A	Do not propose adjustments based on AP work; rather, identify areas of potential misstatements
2 Review the aged trial balance and inquire of management regarding related party notes or long-term receivables.	Class	Do this via email; any names you find in step 1 you want to ask about your team can email me.
3 Review corporate minutes and inquire of management regarding pledged/factored receivables.	Rights	
4 Foot two pages of aged trial balance, total all pages, cross-foot the aging.	Acc, Tie	show how but DO NOT DO THIS, no issues
5 Trace five accounts from aged trial balance to A/R master file.	Exist	FIRST five accounts in aged TB
6 Trace five accounts from A/R master file to aged trial balance.	Comp	LAST five accounts in A/R master file
7 Trace A/R balance from aged trial balance to general ledger.	Tie	
8 Trace A/R balance from general ledger to corporate trial balance.	Tie	
9 Confirm (postive confirmation) 5 receivables balances.	Exist, Acc	responses are in "confirmations" tab
10 Perform alternative procedures for unreturned confirmations.	Exist, Acc	
11 Using A/R aging analysis, evaluate whether receivables allowance is adequate.	Real	
12 Select from sales journal last 5 sales this year and first 5 sales next year and trace to shipping documents to test shipment date and recording date.	Cut	
13 Review all sales returns and allowances close to balance sheet date to evaluate date of recording.	Cut	

**Khartoum Enterprises Inc.**  
**Audit Planning**  
**15 October 2013**

**Client Information**

Corporate Executives

Mike McCready, CEO and Chairman of the board of directors  
Steve Wilson, CFO  
Janet Wintle, COO and Secretary of the board of directors

Subsidiaries

Superduper Co.  
Africa Intl.  
Crazy Phones Inc.

Shipping policy

FOB shipping point (this means that the inventory becomes the property of the buyer once the inventory is shipped.)  
Goods may be returned within 30 days of shipment for a full refund.

Receivables policy

Receivables due after 30 days.

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**Audit Information**

Materiality threshold

Receivables	\$ 15,000
Income statement	\$ 15,000

Adjustments

Identify misstatements in each test and identify the appropriate journal entry to correct the misstatement.  
At the end of the audit, all misstatements will be evaluated together in deciding whether to propose any adjusting entries.

A/R aging analysis percentages

Days outstanding	%
0-30	3%
31-60	6%
61-90	25%
over 90	50%

Sampling error

Sampling error % is 20% for all tests involving sampling.

Inventory adjustments relating to sales cycle audit

Gross margin estimate of 50% is used for any sales adjustments requiring a corresponding adjustment to COGS/Inventory.

**Khartoum Enterprises Inc.**  
**Board Meeting**  
**1 December 2013**

The board has decided that all financing for the company will be unsecured financing through First Bank of Khartoum, and that the company will not assign, pledge, factor, or sell any accounts receivable.

Signature:  
JANET WINTLE  
Corporate Secretary  
1 December 2013

<b>Income statement accounts</b>	<b>31-Dec-13</b>		<b>31-Dec-12</b>	
Sales	\$	1,479,300	\$	1,433,400
Less: Sales returns and allowances		14,600		13,850
Net sales	\$	1,464,700	\$	1,419,550
COGS		729,900		713,300
Gross profit	\$	734,800	\$	706,250
Bad debts expense		28,300		16,200
<b>Balance sheet accounts</b>	<b>31-Dec-13</b>		<b>31-Dec-12</b>	
Accounts receivable	\$	272,750	\$	262,260
Allowance for uncollectible accounts		20,910		14,800

## Aged Trial Balance

Customer	Balance	Aging, Days			
		0-30	31-60	61-90	over 90
Bags International	\$ 8,000	\$ 8,000			
Birds Co.	12,000	10,000	\$ 2,000		
Fast Co.	13,400	13,400			
Hill Inc.	7,600	7,600			
Horizontal Co.	9,000		\$ 9,000		
International Co.	10,000		4,500	5,500	
Left Inc.	12,300	12,300			
Main Street Co.	8,000	8,000			
Northern Co.	8,700			\$ 8,700	
Printing Inc.	11,000	8,800	1,400	800	
Right Inc.	6,200	6,200			
River Co.	10,400	8,100			2,300
Southern Co.	6,250	6,250			
Steve Wilson	15,000				15,000
Superduper Co.	19,000		19,000		
Tables Inc.	78,200		78,200		
Teaching Intl.	9,900	9,000	900		
Twenty Co.	11,000	11,000			
Vertical Co.	2,800				2,800
West Inc.	14,000	9,000	5,000		
Totals	\$ 272,750	\$ 117,650	\$ 111,000	\$ 15,300	\$ 28,800

**A/R Master file**

Customer	Amount	Date	Payment	Balance
Bags International	\$ 1,000	1-Jan-2013	\$ 1,000	\$ -
	\$ 4,000	12-Dec-2013	\$ 3,000	\$ 1,000
	\$ 7,000	25-Dec-2013	\$ -	\$ 7,000
Balance outstanding				\$ 8,000
Birds Co.	...	...	...	
Balance outstanding				\$ 12,000
Fast Co.	...	...	...	
Balance outstanding				\$ 13,400
Hill Inc.	...	...	...	
Balance outstanding				\$ 7,600
Horizontal Co.	...	...	...	
Balance outstanding				\$ 9,000
International Co.	...	...	...	
Balance outstanding				\$ 10,000
Left Inc.	...	...	...	
Balance outstanding				\$ 12,300
Main Street Co.	...	...	...	
Balance outstanding				\$ 8,000
Northern Co.	...	...	...	
Balance outstanding				\$ 8,700
Printing Inc.	...	...	...	
Balance outstanding				\$ 11,000
Right Inc.	...	...	...	
Balance outstanding				\$ 6,200
River Co.	...	...	...	
Balance outstanding				\$ 10,400
Southern Co.	...	...	...	
Balance outstanding				\$ 6,250
Steve Wilson	...	...	...	
Balance outstanding				\$ 15,000
Superduper Co.	...	...	...	
Balance outstanding				\$ 19,000
Tables Inc.	...	...	...	
Balance outstanding				\$ 78,200
Teaching Intl.	...	...	...	
Balance outstanding				\$ 9,900
Twenty Co.	...	...	...	
Balance outstanding				\$ 11,000
Vertical Co.	...	...	...	
Balance outstanding				\$ 2,800
West Inc.	...	...	...	
Balance outstanding				\$ 14,000
Total				\$ 272,750

## General Ledger

		Accounts receivable	
		DR	CR
Beginning balance		\$ 262,260	
		...	
		...	
			...
			...
Ending balance		\$ 272,750	

## Trial Balance

Account	DR	CR
Cash	...	
Accounts receivable	\$ 272,750	
Inventory	...	
...	...	
...	...	
Allowance for uncollectible accounts		\$ 20,910
...		...
...		...
Sales		\$ 1,479,300
Sales returns and allowances	\$ 14,600	
COGS	\$ 729,900	
Bad debts expense	\$ 28,300	
...	...	
...	...	
Totals	\$ 3,200,000	\$ 3,200,000

## Receivables Confirmations

Customer	Balance	Aging, Days			
		0-30	31-60	61-90	over 90
Fast Co.	13,400	13,400			
Printing Inc.	11,000	8,800	1,400	800	
River Co.	10,400	8,100			2,300
Tables Inc.	78,200		78,200		
Vertical Co.	2,800				2,800
	\$ 115,800	\$ 30,300	\$ 79,600	\$ 800	\$ 5,100

## Responses

Fast Co.	We agree with the amount, but we did not receive the shipment (bill of lading # 28900) until 5 January, so this should be a 2014 transaction, not a 2013 transaction.
Printing Inc.	<b>NO RESPONSE</b>
River Co.	We agree with the 30-day amount. We disagree with the 90-day amount. The original transaction was \$4,600, not \$2,300. We have not paid the amount because we returned the items.
Tables Inc.	The invoice amount was \$70,200, not \$78,200; please request a copy of the invoice from your client.
Vertical Co.	Due to financial difficulties we have not been able to pay the amount; we are in bankruptcy liquidation proceedings and we estimate that we will settle our debts for 50 cents on the dollar.



**Bank Statement**  
**31 January, 2014**

<b>Balance, 31/12/2013</b>		<b>\$</b>	<b>12,016</b>
Deposits			
5-Jan-14	\$	21,034	
9-Jan-14		17,998	
15-Jan-14		24,032	
22-Jan-14		18,700	
27-Jan-14		16,780	98,544
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Total			
Checks			
2341	\$	43,300	
2343		6,590	
2344		12,980	
2347		22,176	
8-Jun-06		4,522	(89,568)
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<b>Balance, 31/1/2014</b>		<b>\$</b>	<b>20,992</b>

## Sales Journal

Date	Sales Invoice	Bill of Lading	Amount
30-Dec-2013	13225	29001	\$ 1,241
	13226	28999	79
31-Dec-2013	13227	29002	221
	13228	29006	815
	13229	29003	1,760
1-Jan-2014	13230	29008	996
	13231	29013	126
2-Jan-2014	13232	29010	540
	13233	29016	712
	13234	29012	1,123

## Bills of Lading

Shipping Date	Bill of Lading #
30-Dec-2013	29000
	29001
31-Dec-2013	29002
	29003
	29004
1-Jan-2014	29005
	29006
	29007
2-Jan-2014	29008
	29009

**Sales Returns 2013**

Return Date	Sales invoice #	Amount	Comments
<a href="#">28-Jan-2013</a>	...	\$ 72	We received notification from client that they were returning all items; all items received.
<a href="#">17-Feb-2013</a>	...	\$ 110	We received notification from client that they were returning all items; all items received.
<a href="#">9-Mar-2013</a>	...	\$ 90	We received notification from client that they were returning all items; all items received.
<a href="#">29-Mar-2013</a>	...	\$ 35	We received notification from client that they were returning all items; all items received.
<a href="#">18-Apr-2013</a>	...	\$ 255	We received notification from client that they were returning all items; all items received.
<a href="#">8-May-2013</a>	...	\$ 870	We received notification from client that they were returning all items; all items received.
<a href="#">28-May-2013</a>	...	\$ 1,107	We received notification from client that they were returning all items; all items received.
<a href="#">17-Jun-2013</a>	...	\$ 1,340	We received notification from client that they were returning all items (\$2,680); however, they only returned half of the items (\$1,340).
<a href="#">7-Jul-2013</a>	...	\$ 655	We received notification from client that they were returning all items; all items received.
<a href="#">27-Jul-2013</a>	...	\$ 710	We received notification from client that they were returning all items (\$1,420); however, they only returned half of the items (\$710).
<a href="#">16-Aug-2013</a>	...	\$ 890	We received notification from client that they were returning all items; all items received.
<a href="#">5-Sep-2013</a>	...	\$ 1,460	We received notification from client that they were returning all items (\$2,920); however, they only returned half of the items (\$1,460).
<a href="#">25-Sep-2013</a>	...	\$ 890	We received notification from client that they were returning all items; all items received.
<a href="#">15-Oct-2013</a>	...	\$ 864	We received notification from client that they were returning all items; all items received.
<a href="#">4-Nov-2013</a>	...	\$ 2,300	We received notification from client that they were returning all items (\$4,600); however, they only returned half of the items (\$2,300).
<a href="#">24-Nov-2013</a>	...	\$ 1,850	We received notification from client that they were returning all items; all items received.
<a href="#">14-Dec-2013</a>	...	\$ 1,102	We received notification from client that they were returning all items; all items received.
Total		\$ 14,600	

**January 2014 Returns**

Return Date	Sales invoice #	Return \$	Comments
<a href="#">6-Jan-2014</a>	...	\$ 680	original sale recorded in Dec 2013, but received in 2014, therefore recorded in 2014 records
<a href="#">21-Jan-2014</a>	...	\$ 90	original sale recorded in Dec 2013, but received in 2014, therefore recorded in 2014 records
		\$ 770	