

Cloud 9 - Continuing Case

Answer the following questions based on the information for Cloud 9 presented in the appendix to this text, as well as the current and earlier chapters. You should also consider your answers to the case study questions in earlier chapters.

You have obtained the following information about property, plant, and equipment for Cloud 9.

	Property, Plant, and Equipment			
	<u>Balance January 31, 2022</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Balance January 31, 2023</u>
Property, plant, and equipment	\$100,065,433	\$9,451,131	\$1,813,390	\$107,703,174
Assets audited by W&S Partners	\$ 78,951,627	\$7,468,810	\$1,405,165	\$ 85,015,272
Assets audited by other auditors	<u>21,113,806</u>	<u>1,982,321</u>	<u>408,225</u>	<u>22,687,902</u>
	<u>\$100,065,433</u>	<u>\$9,451,131</u>	<u>\$1,813,390</u>	<u>\$107,703,174</u>

	Accumulated Depreciation			
	<u>Beginning January 31, 2022</u>	<u>Depreciation Expense</u>	<u>Disposals</u>	<u>Ending January 31, 2023</u>
Accumulated depreciation	\$37,803,894	\$5,576,162	\$1,153,117	\$42,226,939
Assets audited by W&S Partners	\$29,180,183	\$4,383,307	\$ 895,992	\$32,667,498
Assets audited by other auditors	<u>8,623,711</u>	<u>1,192,855</u>	<u>257,125</u>	<u>9,559,441</u>
	<u>\$37,803,894</u>	<u>\$5,576,162</u>	<u>\$1,153,117</u>	<u>\$42,226,939</u>

Required

- a. You are auditing the acquisition of property, plant, and equipment. Explain the audit procedures to audit the following assertions.
1. Occurrence of acquisitions of property, plant, and equipment.
 2. Accuracy of acquisitions of property, plant, and equipment.
 3. Completeness of acquisitions of property, plant, and equipment.
- b. You are auditing the disposals of property, plant, and equipment. Explain the audit procedures to audit the following assertions.
1. Occurrence of disposals of property, plant, and equipment.
 2. Accuracy of disposals of property, plant, and equipment.
 3. Completeness of disposals of property, plant, and equipment.
- c. How does auditing the disposals of property, plant, and equipment provide evidence related to depreciation expense?
- d. You select the following sample of acquisitions of property, plant, and equipment. What can you conclude about the acquisitions of property, plant, and equipment from this evidence? Tolerable misstatement for property, plant, and equipment is \$1 million.

	<u>Stratum</u>	<u>Book Value of Population</u>	<u>Size of Stratum</u>	<u>Size of Sample</u>	<u>Book Value of Sample</u>	<u>Audited Value of Sample</u>
1	> \$750,000	\$2,678,016	4	4	\$2,678,016	\$3,143,213
2	\$250,000 – \$750,000	2,343,151	6	3	1,231,576	1,231,576
3	< \$250,000	2,447,643	27	10	932,534	932,534
		<u>\$7,468,810</u>			<u>\$4,842,126</u>	<u>\$5,307,323</u>