

Audit Program—Substantive Tests—Accounts Receivable and Revenues

B-6
WLP
 11/13/25

Client: *Kapitana Computers & Networks, Inc.*

Financial Statement Date: *12/31/25*

Procedure	Performed by	
	Initials	Date
Sales Transactions		
1. Obtain an aged trial balance of accounts receivable as of 12/31/25.	<u>MP</u>	<u>11/6/26</u>
2. Select a sample of customers' accounts at 12/31/25 for positive confirmation using probability-proportional-to-size sampling based on the following parameters:		
a. Risk of incorrect acceptance of 5%.		
b. Tolerable misstatement of \$150,000.		
c. Expected misstatement of \$20,000.	<u>MP</u>	<u>11/7/26</u>
3. Use generalized audit software to:		
a. Foot the master file of accounts receivable at 12/31/25.	<u>MP</u>	<u>2/12/26</u>
b. Test the client-prepared aging of accounts receivable.	<u>MP</u>	<u>11/7/26</u>
c. Select the specific accounts for confirmation.	<u>MP</u>	<u>11/7/26</u>
4. Mail accounts receivable confirmation requests.	<u>MP</u>	<u>11/6/26</u>
5. Send second requests for all unanswered confirmation requests.	<u>MP</u>	<u>1/25/26</u>
6. For confirmation requests to which no reply is received, perform the following alternative procedures:		
a. Test items subsequently paid to remittance advices which identify the specific invoices paid. If necessary, reconcile the amounts paid to sales invoices and delivery receipts.	<u>MP</u>	<u>2/16/26</u>
b. For items not paid, inspect the invoices and delivery receipts for the sales transactions making up the account balance.	<u>MP</u>	<u>2/16/26</u>
7. Resolve exceptions noted on confirmation requests.	<u>MP</u>	<u>2/16/26</u>
8. Review credit files for customers with accounts receivable above \$150,000 at 12/31/25. Investigate any indications of fictitious accounts.	<u>MP</u>	<u>2/16/26</u>
9. Summarize the results of the confirmation procedures.	<u>MP</u>	<u>2/16/26</u>

(continued)

Audit Program—Substantive Tests—Accounts Receivable and Revenues

B-6
WLP
 11/13/15

(Concluded)

Client: *Keystone Computers & Networks, Inc.*

Financial Statement Date: *12/31/15*

Procedure	Performed by	
	Initials	Date
10. Review the adequacy of the allowance for uncollectible accounts by performing the following procedures:		
a. Review the aged trial balance of accounts receivable with the president.	<i>WLP</i>	<i>2/13/16</i>
b. Review confirmation exceptions for indications of disputed amounts.	<i>WLP</i>	<i>2/13/16</i>
c. Analyze and review trends in the following relationships:		
(1) Accounts receivable to net sales.	<i>WLP</i>	<i>2/15/16</i>
(2) Allowance for bad debts to accounts receivable.	<i>WLP</i>	<i>2/15/16</i>
(3) Bad debt expense to net sales.	<i>WLP</i>	<i>2/15/16</i>
11. At year-end, review the file of sales invoices that are waiting to be matched with delivery receipts for any sales transactions that were not executed and, therefore, should be recorded in the subsequent period.	<i>MP</i>	<i>12/31/15</i>
12. For all sales recorded in the last week of the year, inspect the related delivery receipt to determine that the sale occurred before 12/31/15.	<i>MP</i>	<i>2/12/16</i>
13. Review credit memoranda for sales returns and allowances through the last day of fieldwork to determine if an adjustment is needed to record the items as of year-end.	<i>MP</i>	<i>2/16/16</i>
14. Perform analytical procedures for sales and accounts receivable including comparison of the following to prior years and/or industry data:	<i>WLP</i>	<i>2/12/16</i>
a. Gross profit percentage by month.	<i>WLP</i>	<i>2/12/16</i>
b. Sales by month by salesperson.	<i>WLP</i>	<i>2/16/16</i>
c. Accounts receivable turnover.	<i>WLP</i>	<i>2/16/16</i>
d. Advertising expense as a percentage of sales.	<i>WLP</i>	<i>2/16/16</i>
e. Net receivables as a percentage of total current assets.	<i>WLP</i>	<i>2/16/16</i>
15. Ascertain whether any accounts have been assigned, pledged, or discounted by review of agreements and confirmation with banks.	<i>WLP</i>	<i>2/13/16</i>
16. Ascertain by inquiry whether any accounts are owed by employees or related parties such as officers, directors, or shareholders, and:		
a. Obtain an understanding of the business purpose for the transactions that resulted in the balances.	<i>WLP</i>	<i>2/16/16</i>
b. Ascertain the amounts involved.	<i>WLP</i>	<i>2/16/16</i>
c. Confirm the balances.	<i>WLP</i>	<i>1/25/16</i>