Mock Test Paper – CA Final – Advanced Auditing and Professional Ethics

Instruction: Q. No. 1 is compulsory. Attempt any 5 from remaining.

Q. No. 1: As a Statutory Auditor, how would you deal with the following?

(a) S Ltd., a listed company, was incurring heavy losses since the last several years and the industry in which it was functioning was not expected to perform better in the next few years. While finalising the accounts for the year ended 31st March 2011, the CFO of the company decided to create a Deferred Tax Asset for the tax benefits that would arise in future years from the earlier years losses that had remained unabsorbed in Income tax.

(b) A father and son are controlling 34% of voting power in AB Company Limited. They are having a separate partnership firm, which supplies mainly the raw material to the Company. The Management says that the above transaction need not be disclosed.

(c) Z Ltd. had appointed an outside expert to assess accrued gratuity liability of the company. Based on the said report, the company provides `80 lakhs as gratuity in the financial statements.

(d) An auditor of Mohan Ltd. was not able to get the confirmation about the existence and value of certain machineries. However, the management gave him a certificate to prove the existence and value of the machinery as appearing in the books of account. The auditor accepted the same without any further procedure and signed the audit report. Is he right in his approach?

Q. No. 2: Comment on the following with reference to the Chartered Accountants Act, 1949, Code of Ethics and Schedules to the Act:

(a) The Cashier of a company committed a fraud and absconded with the proceeds thereof. This happened during the course of the accounting year. The Chief Accountant of the company also did not know about fraud. In the course of the audit, at the end of the year, the auditor failed to discover the fraud. After the audit was completed, however, the fraud was discovered by the Chief Accountant. Investigation made at that time indicates that the auditor did not exercise proper skill and care and performed his work in a desultory and haphazard manner. With this background, the Directors of the company intend to file disciplinary proceedings against the auditor. Discuss the position of the auditor with regard to the disciplinary proceedings.

(b) XYZ Co. Ltd. has applied to a bank for loan facilities. The bank on studying the financial statements of the company notices that you are the auditor and requests you to call at the bank for a discussion. In the course of discussions, the bank asks for your opinion regarding the company and also asks for detailed information regarding a few items in the financial statements. The information is available in your working paper file. What should be your response and why?

(c) BC & Co, a firm of Chartered Accountants, accepted an assignment for audit under State level VAT Act, without any prior communication with the previous auditor.

(d) Q, a Chartered Accountant, failed to report to the shareholders of the Z Ltd, about the non-creation of a sinking fund in accordance with the Debenture Trust Deed and did not make clear that the amount shown as Sinking Funds, were borrowed from the Managing Agents of the Z Ltd.

Q. No. 3:

(a) Under CARO, 2003 how, as a statutory auditor would you comment on the following:

(i) Fixed assets comprising 1/3rd of the total assets have been disposed off during the year.

(ii) A Term Loan was obtained from a bank for `75 lakhs for acquiring R&D equipment, out of which `12 lakhs was used to buy a car for use of the concerned director, who was overlooking the R&D activities. (8 Marks)

(b) As an auditor, how would you deal with the following: The statutory auditor of the Holding Company demands for the working papers of the auditors of the subsidiary company, of which you are the auditor. (4 Marks)

(c) Comment on the following: You are appointed to compile financial statements of Y & Co. for tax purposes. During the course of work, you learn that the inventory is grossly understated. On pointing the same, the partners of Y & Co. tell you that since you are not conducting an audit, the said figures duly certified by the firm should be accepted. (4 Marks)

Q. No. 4:

(a) Mr. Ramesh, a chartered accountant, was appointed by XYZ & Co. to prepare the statement of accounts and income tax returns. He examined the books of accounts and signed a few statements including the trading and profit and loss account and the balance sheet. He also forwarded the statements of account of the firm to the income tax department stating that the accounts were verified by him. But the income tax department later discovered that the profits shown in the above statements were incorrect and false. The department, therefore, brought legal action against the auditor for his negligence in duty. Comment. (4 Marks)

(b) What are the areas to be covered in comprehensive audit of Public Enterprises. (4 Marks)

(c) The directors of C Ltd. are concerned about the reliability and usefulness of the monthly financial management information that they receive. As a result, the company's auditors have been engaged to review the system and the information it generates, and to report their conclusions. What an ordinary procedure includes for the review of financial statements? (8 Marks)

Q. No. 5:

(a) The Company auditor became aware of a matter, only after he had issued his audit opinion. Had he become aware of the same prior to his issuing the audit report, he would have issued a different opinion. What are his responsibilities in such a case? (6 Marks)

(b) Explain the Objectives of Peer Review. (4 Marks)

(c) What are the matters to be considered while evaluating the "Knowledge of Business" in the conduct of an audit. (6 Marks)

Q. No. 6:

(a) You have been appointed to carry out Management-cum-Operational Audit of a Public Ltd company. State whether the use of quantitative ratios is more effective than the use of financial ratios to gain real insight into the financial statements. (6 Marks)

(b) Highlight the provisions relating to corporate responsibility under Sarbanes Oxley Act of 2002. (6 Marks)

(c) What are the factors to be considered while establishing an Audit Strategy. (4 Marks)

Q. No. 7: Write short notes on ***any four*** of the following:

(a) Corporate Debt Restructuring

(b) Types of Market under NEAT System.

(c) Current Period Consolidation Adjustment.

(d) Solvency Margin in case of insurer carrying on General Insurance Business.

(e) Frauds through Suppliers Ledger. (4 Marks each)

Solutions - Mock Test Paper – CA Final – Advanced Auditing and Professional Ethics

Answer to Q. No. 1:

(a) ***Recognition of deferred Tax Assets***:

- AS 22 on "Accounting for Taxes on Income", requires that deferred tax should be recognised for all timing differences, subject to the considerations of prudence in respect of deferred tax assets.
- The standard further states that where an enterprise has unabsorbed depreciation or carry forward of losses under the tax laws, deferred tax assets should be recognised only to the extent that there is *virtual certainty* supported by *convincing evidence* that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- This implies that there is a reasonable certainty that the carry forward losses would be recouped in the future years.

Facts of the case:

- In the instant case, looking to the fact that the industry in which the company was functioning was not expected to perform well in the next few years, getting virtual certainty and convincing evidence for the same would be almost impossible.
- Hence, in the absence of virtual certainty for offset of the losses in future years, creating a deferred tax asset would not be possible for the company.

Conclusion: The statutory auditor would therefore have to qualify his report by stating that deferred tax assets have been created though there is *no virtual certainty for getting the said benefit* in income tax.

He would also have to mention the amount by which the loss for the year has been understated and the amount by which the reserves are overstated.

(b) ***Disclosure of Transactions with Related Parties***:

AS 18, "Related Party Disclosures" and SA 550 "Related Parties", if applicable, requires disclosure of related party relationships and transactions between a reporting enterprise and its related parties.

The parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

The control can be exercised through controlling the composition of the Board or more than half of voting power or substantial interest in the voting power and the power to direct financial and/or operating policies.

Significant influence can be exercised through several ways, e.g., participation in financial/operating policies, material inter-company transaction, etc.

As per the explanation given in the Standard, significant influence is said to exist in case the investing party has 20% or more voting power of the enterprise unless it can be demonstrated that this is not the case.

Conclusion: As per the facts given, in the absence of other circumstances, it appears that father and son will be in a position to exercise significant influence since they are holding 34% of voting power in the company. Hence, relationship as well as nature of transactions would have to be disclosed. In case of nondisclosure, the auditor should qualify the audit report.

(c) ***Evaluation of work of an Management Expert***:

SA 500 (Revised) "Audit Evidence" states that when information to be used as audit evidence has been prepared using the work of a management's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes,:

1. Evaluate the competence, capabilities and objectivity of that expert;
2. Obtain an understanding of the work of that expert; and
3. Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion.

Conclusion: In the present circumstances, the auditor can rely on the report of management expert, but after performing the evaluating the matters prescribe above.

(d) ***Validity of Management Representation***:

- The physical verification of fixed assets is the primary responsibility of the management. The auditor, however, is required to examine the verification programme adopted by the management.
- He must satisfy himself about the existence, ownership and valuation of fixed assets.
- In the case of Mohan Ltd., the auditor has not been able to verify the existence and value of some machinery despite the verification procedure followed in routine audit.
- He accepted the certificate given to him by the management without making any further enquiry.
- As per SA 580 "Written Representation" the representations received from management are recognised as audit evidence, but they do not constitutes Sufficient and appropriateness.
- Auditor is required to seek corroborative audit evidence from other sources inside or outside the entity, to evaluate whether such representations are reasonable and consistent with other evidences.
- Representation received from Management cannot be a substitute for other audit evidence that the auditor could reasonably expect to be available.
- If the auditor is unable to obtain sufficient appropriate audit evidence that he believes would be available regarding a matter, which has or may have a material effect on the financial information, this will constitute a limitation on the scope of his examination even if he has obtained a representation from management on the matter.

Conclusion: The approach adopted by the auditor is not right.

Answer to Q. No. 2:

(a) ***Failure to Exercise Reasonable Care and Skill***:

Clause(7) of Part I of Second Schedule to the CA Act,1949 requires that it is the duty of an auditor to bring to bear in the work he has to perform that skill, care and caution as per circumstances in an honest and reasonable manner.

Apparently, as it appears from the facts of the case that the auditor did not exercise proper skill and care and that he performed his work in a desultory and haphazard manner.

Cash is a very significant item in any situation and the fact that cashier had left during the year without notice should have placed the auditor on alert as regards the cash book .In fact, the very fact that the cashier was absconding, i.e., left without any notice constituted sufficient circumstances to excite suspicion of the auditor to probe to the bottom.

It appears from the facts of the case, the auditor has been grossly negligent in performing his duties which constitutes professional misconduct.

Conclusion: Thus under the circumstances, it appears that auditor fails to exercise due care and skill, hence guilty of professional misconduct.

(b) ***Confidentiality of client information***

Clause (1) of part I of Second Schedule to the CA Act, 1949 states that a CA in practice shall be deemed to be guilty of professional if he discloses information acquired in the course of his professional engagement to any person other than his client, without the consent of the client or otherwise than as required by law for the time being in force.

In the instant case, the bank has asked auditor for detailed information regarding few item in the financial statement available in his working papers. Having regards to the position stated earlier the auditor cannot disclose the information in his possession without specific permission of the client.

Conclusion: Thus, there is no requirement compelling the auditor to divulge information obtained in the course of audit and included in his working papers to any outside agency except as and when required by law.

(c) As per Clause 8 of part I of Second Schedule to the CA Act, 1949, A CA in practice is deemed to be guilty of professional misconduct if he accepts a position as auditor previously held by another Chartered Accountant or a certified auditor without first communicating with him in writing.

In the instant case, BC & Co accepted VAT –audit under State level Act, carried out by another firm of Chartered Accountants in the previous year, without prior communication with the previous auditor.

Conclusion: A communication is mandatory requirement for all types of audit if the previous auditor is a Chartered Accountant. Hence, the firm is guilty of professional misconduct.

(d) As per Clause (5) of part I of the Second Schedule to the Chartered Accountants Act, 1949 a chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he fails to disclose a material fact known to him which is not disclosed in the financial statement, but disclosure of which is necessary in making such financial statement in a professional capacity.

In the instant case, Q was in duty bound to see that the nature and subject matter of the charge over a security and the nature and mode of valuation of the Sinking Fund Investments were disclosed in the Balance Sheet of Z Ltd. in accordance with Form F.

Conclusion: Hence Q was found guilty of misconduct.

Answer to Q. No. 3:

(a) (i) ***Disposal of Fixed Assets***: Under CARO, 2003, an auditor is required to state if substantial part of the fixed assets have been disposed off during the year, whether it has affected the going concern. This clause requires the auditor to carry out adequate audit procedures to satisfy himself that the company shall be able to continue as going concern for the foreseeable future despite the sale of substantial part of the fixed assets.

Accordingly, in the instant case, the auditor should satisfy himself as to whether disposal off of $1/3^{rd}$ of fixed assets during the year had any effect on the going concern assumption on account of such sale of fixed assets. The Auditor is required to exercise his professional judgement to determine whether disposal off of $1/3^{rd}$ of total assets constitutes substantial part or not. Depending upon the judgement arrived at by the auditor, he shall report whether substantial part of fixed assets have been disposed off or not during the year and it has affected or not affected the going concern status of the company.

Alternatively, in case the auditor is of the opinion that it constitutes substantial sale but the going concern assumption is appropriate because of mitigating factors then he has to ensure that the same are disclosed in the financial statements or else he shall have to modify the auditor report. The manner of reporting shall also be modified appropriately in case the going concern assumption is resolved or not.

(a) (ii) ***Utilisation of Term Loans***: Under CARO, 2003, an auditor is required to comment whether term loans were applied for the purpose for which the loans were obtained. The auditor should examine the terms and conditions of the term loan with the actual utilisation of the loans. If the auditor finds that the fund has not been utilized for the purpose for which they were obtained, the report should state the fact. In the instant case, since term loan taken for the purpose of R&D equipment has been utilized for purchase of car which has no relation with R&D equipment.

Therefore, car though used for R&D Director cannot be considered as R&D equipment. The auditor should state the fact in his report that the out of term loan of R&D lack, `12 lakhs was not utilised for the purpose of acquiring the R & D equipment.

(b) ***Demand of working papers***:

- As per SA 230, "Audit Documentation" working papers are the property of the auditor. The auditor may, at his discretion, make portion of or extracts of his working papers available to his client.
- SA 600 "Using the Work of Another Auditors" also states that an auditor should respect the confidentiality of information acquired during the course of his audit work and should not disclose such information unless there is a legal or professional duty to disclose.
- As per ICAI Guidelines, statutory auditor of an enterprise do not have right of access to the audit working papers of the branch auditor. An auditor can rely on the work of another auditor, without having any right of access to the audit working papers of other auditor.

Conclusion: Statutory auditor of Holding company can not have access to audit working papers of the subsidiary company's auditor. He can however, ask the auditor to answer certain questions about the manner in which the audit is conducted and certain other clarifications regarding audit.

(c) As per SRS 4410 "Engagement to Compile Financial Information "if an accountant becomes aware of material misstatements, the accountant should persuade the management to carry out necessary amendments in the F.S. or other compiled financial information. If such amendments are not made and the F.S. are still considered to be misleading the accountant should withdraw from the engagement.

Answer to Q. No. 4

(a) In the present circumstances, auditor can not be held guilty for negligence. The role of an auditor to the assessee is just like a lawyer or an advocate in a court. It is the responsibility of the income tax officer to investigate the accounts. The auditor owed no duty to the income tax department (third party) and as such, no question of negligence in duty could arise.

(b) ***Comprehensive Audit of Public Enterprises***:

It involves assessing overall efficiency and effectiveness of Public Enterprises. This is done by reference to certain pre – determined standards, objectives and criteria.

Area to be covered:

1. Comparison of overall capital cost of the project with the approved planned costs.
2. Production or operational outputs vis-a-vis under-utilisation of the installed capacity.
3. Systems of project formulation and implementation.
4. Cost control measures.
5. Research and development programmes.
6. System of repairs and maintenance.

(c) ***Procedures to be performed in Review Engagement***: As per SRE 2400 (Revised) – "Engagements to review the Financial Statements" the procedure to be performed while reviewing the financial statements includes the following:

1. Obtaining an understanding of the entity's business and the industry in which it operates.
2. Inquiries concerning the entity's accounting principles and practices.

3. Inquiries concerning the entity's procedures for recording, classifying and summarising transactions, accumulating information for disclosure and preparation of F.S.
4. Inquiries concerning all material assertions in the financial statements.
5. Analytical procedures designed to identify relationships and individual items that appear unusual. Such procedures would include:
   - Comparison of the financial statements with statements for prior periods.
   - Comparison of the financial statements with anticipated results and financial position.
   - Study of the relationships of the elements of the F.S. that would be expected to conform to a predictable pattern based on the entity's experience or industry norm.
6. Inquiries concerning actions taken at meetings of shareholders, the board of directors, committees of the board of directors and other meetings that may affect the financial statements.
7. Reading the F.S. to consider, on the basis of information coming to the practitioner's attention, whether the F.S. appear to conform with the basis of accounting indicated.
8. Obtaining reports from other practitioners, if any.
9. Inquiries of persons having responsibility for financial and accounting matters concerning, for example:
   - Whether all transactions have been recorded.
   - Whether the financial statements have been prepared in accordance with the basis of accounting indicated.
   - Changes in the entity's business activities and accounting principles and practices.
   - Matters as to which questions have arisen in the course of applying the foregoing procedures.
   - Obtaining written representations from management when considered appropriate.

Answer to Q. No. 5

(a) ***Responsibilities in case of Subsequent Event***: As per SA 560 (Revised) "Subsequent Events" the auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report.

(a) However, if a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall:
- Discuss the matter with management.
- Determine whether the financial statements need amendment and, if so,
- Inquire how management intends to address the matter in the financial statements.

(b) If management amends the financial statements, the auditor shall:
- Extend the audit procedures to the date of the new auditor's report; and
- Provide a new auditor's report on the amended financial statements.

(b) ***Objectives of Peer Review***:

(1) To ensure that members while performing attestation services comply with technical standards issued by the Institute;

(2) To ensure that such a member has in place proper system (including documentation system) for maintaining the quality of attestation services performed by him;

(3) To ensure adherence to various statutory and regulatory requirements and

(4) To enhance the reliance placed by the users of financial statements for economic decision making.

(c) ***Matters to be considered while evaluating the Knowledge of Business***: As per SA 315 "*Identifying and Assessing the Risk of Material Misstatement through understanding the Entity and its Environment*", the auditor shall obtain an understanding of the following:

1. Relevant *industry, regulatory, and other external factors including applicable financial reporting framework*.
2. The *nature of the entity*, including:
    - its operations;
    - its ownership and governance structures;
    - the types of investments that the entity is making and plan to make; and
    - the way that the entity is structured and how it is financed;
3. The entity's *selection and application of accounting policies*, including the reasons for changes thereto.
4. The entity's *objectives and strategies*, and those related business risks that may result in risks of material misstatement.
5. The *measurement and review of the entity's financial performance*.

Answer to Q. No. 6

(a) ***Use of quantitative Ratios***:

- The objective of management-cum-operational audit is not only to verify compliance with the control but to suggest measures to improve operational environment & increase overall productivity.
- Financial ratios keep changing with the variations in the price level. In a dynamic economy, price levels seldom remain constant and hence comparison of financial ratios over the years becomes vitiated. Quantitative ratios and reconciliations remain unaffected by changes in price. They reflect certain basic relationships and change only if there is a change in the method of operation, technology, degree of automation, product mix, etc.
- A comparison of quantitative ratios over the years can reveal pertinent and leading indications of the real state of affairs.
- The various quantitative ratios which may be calculated are input-output ratio for a manufacturing concern, occupancy ratio for hotels, etc.
- The nature of quantitative ratios and reconciliations that an auditor can work out in a particular audit would depend upon the actual circumstances of the case. However, the auditor must keep a few general considerations in mind while using quantitative data.
- Firstly, he should analyse and use such data mainly as an evidence to support the figures in the statements under audit. Secondly, the auditor should try to correlate vital relationships between physical quantities. In this regard the auditor should establish the cause and effect relationship between activities.
- Thirdly, the auditor may attempt to link a physical quantity with its corresponding monetary figure through an estimated average rate.

Conclusion: Though working out quantitative ratios involves greater strain on the auditor, but it is more rewarding.

(b) ***Major Provisions of SOX Act***:

1. Creation of Public Company Accounting Oversight Board (PCAOB).
2. More independence be given to Audit Committee and auditor.
3. Ban on personal loan to Directors / Executive Officers of a Company
4. Strict reporting by an auditor on insider trading.

5. Additional disclosures imposed on financial reporting.
6. If there is any conflict between company and its auditor, the Audit Committee should be empowered to resolve the same.
7. Higher penalties and criminal prosecution on financial frauds.
8. To include effectiveness of Internal Control System in the financial reporting.
9. More responsibilities must be imposed on managerial personal with higher penalties and prosecutions on the breach.
10. Strict action against white collar crime.

(c) ***Factors to be considered while establishing Audit Strategy***:

As per SA 300 (Revised) "Planning an Audit of Financial Statements" in establishing the overall audit strategy, the auditor shall:

- Identify the characteristics of the engagement that define its scope;
- Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;
- Consider the factors that are significant in directing the engagement team's efforts;
- Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and
- Ascertain the Nature, Timing and Extent of procedures necessary to perform.

Answer to Q. No. 7

(a) ***Corporate Debt Restructuring (CDR)***

- CDR system has been evolved for restructuring of the corporate debts of viable entities facing problems, which are out side the purview of BIFR, DRT and other legal proceedings. All the banks have been advised by RBI to follow the CDR mechanism which would be a non-statutory voluntary system based on debtor creditor agreement and inter creditor agreement.
- The mechanism will apply only to the multiple banking account/syndicate/consortium with an outstanding exposure of `20 crore and above by bank and financial institutions.
- CDR would generally affect the operations both at Branch level as well as the Head Office level, although, in most of the cases the effects of provisioning as envisaged in the RBI circular due to sacrifice in the interest would be made at the Head Office level.
- In case of restructuring of the principal amount, auditors should verify that adequate security coverage of the loan/credit account is available.

(b) Types of Market under NEAT System:

Normal Market	• All orders of regular lot size or multiples thereof are traded in the normal market. • For demat Shares, the market lot is *One*. • Normal market consists of regular lot orders, special term orders, negotiated trade order and stop loss order depending on their order tributes.
Odd Lot Market	• If the ***order size is less than the regular lot size*** such orders are traded in the odd lot market. • In an odd lot market both the price and quantity of both the orders (buy and sell) should exactly match for the trade to take place. • This facility is used for limited Physical market.
Spot Market	• Spot orders are similar to normal market orders except that spot orders have different settlement periods vis-a-vis normal market.

	• Pay in and pay out takes place on the same day. • Currently the spot market is not in use.
Auction Market	• In the auction market, auctions are initiated by the exchange on behalf of trading members, for completing the settlement process. • The main reasons are shortages and bad deliveries. • Exchange initiates auctions to purchase from the market, the number of shares short deposited by the member.

(c) ***Permanent consolidation adjustments*** are those adjustments that are made only on the first occasion of the preparation and presentation of consolidated financial statements. These adjustments are:

(i) Determination of excess or deficit of the cost to the parent of its investments in subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made.

(ii) Determination of the amount of equity attributable to minorities at the date on which investment in subsidiary is made; and

(iii) Determination of Goodwill or capital reserve arising on application of equity method to account for investment in associates in consolidated financial statements.

(d) ***Solvency margin in case of insurance company***:

Requirement: In case of an insurer carrying on general insurance business, the solvency margin should be the highest of the following amounts:

(i) `50 Cr. (100 Cr. in case of reinsurer), or

(ii) 20% of net premium income; or

(iii) 30% of net incurred claims.

Relaxation: Conditions regarding maintenance of the solvency margin may be relaxed by the authorities in certain special circumstances.

Non Maintenance of solvency margin: If, at any time, an insurer does not maintain the required solvency margin, the insurer is required to submit a financial plan to the authority indicating the plan of action to correct the deficiency in solvency margin.

If, on consideration of the plan, the authority finds it inadequate the insurer has to modify the financial plan.

(e) ***Fraud through supplier's Ledger***:

Ways of committing frauds:

(i) Adjusting fictitious or duplicate invoices as purchases in the accounts of suppliers and subsequently misappropriating the amounts when payments are made to the suppliers in respect of these invoices.

(ii) Suppressing the Credit Notes issued by suppliers and withdrawing the corresponding amounts not claimed by them.

(iii) Withdrawing amounts unclaimed by suppliers, for one reason or another by showing that the same have been paid to them.

(iv) Accepting purchase invoices at prices considerably higher than their market prices and collecting the excess amount, paid in cash, from the suppliers.

Investigation areas:

(i) The Bought Journal should be vouched by reference of Goods Inward Book.

(ii) Amounts have been correctly credited in respect of goods duly received or not.

(iii) Request the supplier to furnish statements of their accounts to find out whether or not any balance is outstanding or due and

(iv) Confirm that allowances and rebates given by them is correctly adjusted.