

AI Risk	Procedures
<p>Inventory: raw materials Risk of overstatement of inventory and understatement of COS because:</p> <ul style="list-style-type: none"> ▪ Nisulf (fertilisers and insecticides): <ul style="list-style-type: none"> - revenue declined by 35%, suggesting lower demand - inventory days has increased to 1,032 from 871 - PM (profit margin: Revenue Nisulf A+B – COS Nisulf) has increased to 82.1% from 81.7% which indicates understated COS if sales prices have not increased - PM varies significantly by month indicating cut-off errors e.g. no COS in July and 98.3% PM in April indicates understatement of COS - 417% increase in process losses could indicate lower quality material. Also includes 'abnormal process losses' due to operator error: transactions 11736 (£97k), 11737 (£141k), 11742 (£261k) in Feb under IAS2, [REDACTED] ▪ Cepron (food and drink) <ul style="list-style-type: none"> - inventory has increased by 85% - inventory days are very high at 1,042 - Cepron B revenue declined in Oct and Nov - Hyde disputing some invoices for Cepron B so inventory might require impairment if will no longer be used for Hyde contract and will become obsolete <p>Inventory: Finished goods/WIP Risk of overstatement of inventory and understatement of COS because:</p> <ul style="list-style-type: none"> ▪ abnormal costs should not be included and process losses have increased by 417% with transactions 11736 ▪ [REDACTED] 	<p>Enquire with Sabrina to identify commercial reasons for revenue decline and PM increase/monthly variation.</p> <p>Inspect post year-end sales to establish whether decline has continued.</p> <p>Enquire with Sabrina to identify reason why processes losses are so high (e.g. lower quality materials) and whether standard costs have been revised as a result.</p> <p>Inspect evidence [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Go to AC 40200 to identify if Cepron B sales have continued to decline in Dec.</p> <p>Obtain correspondence with Hyde to identify what dispute relates to and whether it requires inventory write down.</p> <p>Inspect breakdown of post year end sales to identify if Cepron B is now being sold to other customers.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

Procedures in **bold** are procedures you should undertake in the exam using the 12-month data.
Numbers in *italics* should be replaced with 12m numbers.

NISULF							
	Jan	Feb	Mar	Apr	May	Jun	Jul
Revenue	-£5,396,931	£17,043,184	£150,660	£6,459,546	£153,590	£1,554,053	£3,507,820
COS		£915,245	£951,924	£107,932	£273,000	£863,376	
Profit	-£5,396,931	£16,127,939	-£801,264	£6,351,614	-£119,410	£690,677	£3,507,820
PM		94.6%	-531.8%	98.3%	-77.7%	44.4%	100.0%

Aug	Sep	Oct	Nov	Dec	2023 (11m)	2022	Change
					£44,077,079	£67,357,053	-35%
					£7,875,408	£12,295,930	-36%
					£36,201,671	£55,061,123	-34%
					82.1%	81.7%	
				Inventory:	£22,264,200	£29,337,683	-24%
				Days:	1,032	871	

Revenue: Nisulf Grade A (AC 40220) + Nisulf Grade B (AC 40600)

COS: Nisulf Grade A and B (AC 52100)

PM: Indicative profit margin as not possible to allocate other COS lines by product

Inventory: Materials for Nisulf (AC 13410)

Inventory days: Materials for Nisulf (AC 13410) / COS Nisulf Grade A and B (AC 52100) x 365

CEPRON							
	Jan	Feb	Mar	Apr	May	Jun	Jul
Revenue							
COS							
Profit							
PM							

Aug	Sep	Oct	Nov	Dec	2023 (11m)	2022	Change
				Inventory:			
				Days:			

Fixcleer			
	2023 (11m)	2022	Change
Revenue (AC 40310)			
COS (AC 52200)			
Profit			
PM			
Inventory (AC 13100)			
Days (Inventory/COSx365)			

IAS2 Inventories

Initial Recognition

- Capitalise as part of inventory asset:
 - Costs of purchase:
 - delivery, import duties, directly attributable costs
 - Costs of conversion:
 - Costs specifically attributable to units of production
 - direct materials, direct labour
 - Systematic allocation of fixed and variable production overheads
 - variable: [REDACTED]
 - fixed: [REDACTED]
 - normal volume includes adjustment for planned maintenance
 - Other costs [REDACTED]
- Expense to P&L:
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]

Subsequent Measurement

- [REDACTED]
- [REDACTED]
- [REDACTED]
- Cr [REDACTED]
- [REDACTED]
- [REDACTED]

Info / Data Analytics Software (DAS) Exam Technique Guidance

Explore

- FS view: high level view
- Account view: breakdown of FS number by account code
 - Significant change from prior year/inconsistent with information in scenario
 - Accounts with significant monthly increase/decrease (can visualise on bar chart) e.g.
 - Revenue
 - COS
 - Inventory
 - Receivables
 - Assets
 - Accounts not moving as expected e.g.

[REDACTED]

- Transaction detail:
 - Other side of entry e.g. suspense account, technically incorrect
 - Amount e.g. material, round number

[REDACTED]

- Document type e.g. [REDACTED]
- Description e.g. [REDACTED]

[REDACTED]

[REDACTED]

- Stacked Bar Chart

[REDACTED]

Variables	Risks
[REDACTED]	