SA 501 Audit Evidence – Specific Consideration for Selected Items

Selected Items

- Inventory (Existence and condition)
- Litigation and Claims (completeness)
- Segment Information (Presentation and disclosure)

Inventory

Attendance at Physical inventory count (Year end) (F/S date)

1. **Practicable**
   - * Evaluate Managements instructions and Procedures
   - * observe Performance of management's Procedures
   - Inspect the inventory
   - Perform test count
   - Perform Audit Procedures over entity's final Inventory records, to determine wether they accurately reflect actual inventory count results.

2. **impracticable**
   - * Perform alternate audit Procedures

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(3) Inventory Counting Conducted at date other than date of FS

(1) + Perform audit Procedures to obtain A.E about whether changes in inventory between count date and date of FS are properly recorded.

(e.g count date = 15 April)

(4) If auditor is unable to attend Physical inventory Counting due to unforseen circumstances

Same as (3)

(5) when inventory under Custody of 3rd Party is material

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* Request confirmation for quantities and condition
* Perform inspection or other audit Procedures

Litigation and Claims

(1) Perform audit Procedures including

* Inquiring of
  - Management
  - others including in-house legal counsel

* Review
  - Minutes of meeting
  - correspondence between entity and its external legal counsel.

* Review legal expenses account

(2) If auditor assesses RMM regarding litigation or Claims

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Seek direct communication with entity's external legal counsel through letter of inquiry, Prepared by Management, Sent by auditor, requesting entity's external legal Counsel to directly communicate with auditor

If

Management refuses to give auditor permission to communicate with external legal counsel

OR

External legal counsel refuses to respond

OR

External legal counsel is prohibited from responding

Perform alternate audit procedures

If not possible, modify opinion

(3) Obtain WR that all known pending litigations and claims have been informed to auditor.

SEGMENT INFORMATION

* Obtain SAAE regarding presentation and disclosure of segment information in accordance with applicable FRF (AS 17)

* Obtain understanding of methods used by management in determining segment informatio