

**Audit Program for Accounts Payable and Purchases**

Legal Company Name Client:

Balance Sheet Date:

***Instructions:*** The auditor should refer to the audit planning documentation to gain an understanding of the financial reporting system and the planned extent of testing for accounts payable and purchases. Modification to the auditing procedures listed below may be necessary in order to achieve the audit objectives.

*All audit work should be documented in attached working papers, with appropriate references noted in the right column below.*

<b>Audit Objectives</b>	<b>Financial Statement Assertions</b>
Accounts payable reflected in the balance sheet represent authentic obligations of the entity and include unprocessed invoices and liabilities for goods and services received but not billed.	Existence or occurrence Completeness Rights and obligations
Accounts payable amounts agree with invoices or other supporting documents and are recorded correctly as to account and period.	Existence or occurrence Rights and obligations Valuation or allocation
Accounts payable are properly classified as current liabilities; significant debit balances are re-classified to other assets; and adequate disclosures are made for related-party accounts payable, payables with specified payment terms, and assets pledged as collateral on accounts payable.	Presentation and disclosure

	<i>Performed By</i>	<i>Workpaper Reference</i>
1. Prepare or obtain from the client a listing of trade accounts payable as of the balance-sheet date and perform the following procedures:		
a. Test the arithmetical accuracy of the listing and reconcile the total balance to the general ledger.		
b. Review the listing for large debit balances and determine their nature. Consider confirming such balances with the vendors and, if amounts are material, reclassifying them to other assets.		
c. Review the listing for related-party transactions and, if amounts are material, segregate from trade accounts payable to related-party accounts payable in the financial statements.		
d. Review the accounts payable listing for past due amounts and discuss old and disputed balances with the client. Inquire about any assets pledged to secure the payment of these balances.		
2. Consider confirming accounts payable as of the balance-sheet date. If confirmation procedures are deemed necessary, perform the following:		
a. Identify the major suppliers of goods or services to which confirmation requests should be sent. If the client objects to sending confirmation requests to any of these vendors, determine the validity and reasonableness of the client's objection and perform alternative procedures.		
b. Maintain control of and mail the confirmation requests.		
c. When confirmation replies are received, prepare a worksheet summarizing the results. The worksheet should show (1) vendor name, (2) balance per books, (3) balance per confirmation received, (4) difference, and (5) explanation of difference such as payment in transit, shipment in transit, discount taken, unrecorded liability.		

	<i>Performed By</i>	<i>Workpaper Reference</i>
d. Perform alternative procedures on confirmation requests not returned, such as (1) examining unpaid vendor invoices and receiving reports and (2) vouching subsequent payment of the liability.		
3. Perform a search for unrecorded liabilities covering the period from the balance-sheet date to the completion of fieldwork as follows:		
a. Review the cash disbursements journal for all payments over a pre-established monetary amount and examine the supporting documentation for such disbursements (e.g., vendor's invoice). If the goods or services were received prior to the balance-sheet date, determine if the liability is properly recorded as of the balance-sheet date. If the goods or services were received subsequent to the balance-sheet date, determine if the related amount is properly excluded from accounts payable as of the balance-sheet date.		
b. Obtain from the client the files for all unprocessed invoices and vendor statements as of the date of fieldwork and, for all invoice amounts over a pre-established monetary amount, determine whether the invoice amount is properly included or excluded from accounts payable as of the balance sheet date.		
c. Obtain from the client the files for all receiving reports unmatched with vendor invoices and determine whether the goods or services were received as of the balance-sheet date. If so, determine if the liability is recorded. If a vendor's invoice has not been received, refer to the client's purchase order, prior invoices for similar items, or consider calling the vendor.		
d. Ask the client's accounting personnel about their knowledge of unrecorded liabilities.		

	<i>Performed By</i>	<i>Workpaper Reference</i>
e. Scan the trade accounts payable listing as of the end of the current period and compare it to the listing of the prior period. Determine whether any individually significant items were included in the prior period but not in the current period. Investigate whether any of these items should be included in accounts payable as of the balance-sheet date.		
f. Perform the receiving cutoff tests noted in the audit program for "Inventories and Cost of Sales" and determine that the liability for the merchandise is recorded in the proper period.		
4. Ask the client about any amounts included in trade accounts payable that have specified payment terms. Consider reclassifying such liabilities to notes payable and, if they are non-interest-bearing, consider whether the amounts should be shown at their discounted present value in the financial statements.		
5. Ask the client's accounting personnel about any assets that are pledged as collateral on accounts payable and, if so, determine if adequate disclosure is made in the financial statements.		
6. Determine that credit memos received from vendors after the balance-sheet date have been recorded in the proper period.		
7. Perform the following analytical procedures for accounts payable and investigate any significant fluctuations or deviations from the expected balances:		
a. Compare the current year's account balances with the prior year's account balances for gross payables and purchase discounts.		
b. Compute the following ratios for the current year and compare with the prior year's ratios:		
(1) Accounts payable turnover.		
(2) Days outstanding in accounts payable.		

	<i>Performed By</i>	<i>Workpaper Reference</i>
(3) Ratio of accounts payable to current liabilities.		
(4) Ratio of purchase returns and allowances to purchases.		
8. If the auditor is concerned about the risk of fraud, audit procedures such as the following should be considered in addition to the ones listed above:		
a. Send blank confirmations to vendors requesting them to furnish information about all outstanding invoices and other pertinent items such as payment terms, payment histories, etc. Include new vendors and accounts with small or zero balances.		
b. Match vendor names and addresses per invoices with master vendor list.		
c. Search for unusual or large year-end transactions and adjustments, e.g., transactions not containing normal processing initials, not going through normal processes, or not having normal supporting documentation.		
e. Review vendor files for unusual items, such as manual and not customized forms; different delivery addresses; and vendors that have multiple addresses.		
f. Examine disbursements made for items that do not require delivery of goods.		
g. Examine supporting documents for payments for amounts just under the threshold required for approval.		
9. If disclosures about fair values are required, or the entity chooses to provide voluntary fair value information, perform the following:		
a. Obtain information about the fair value of accounts payable and determine that the valuation principles are being consistently applied under IAS.		
b. Determine that the fair value amounts are supported by the underlying documentation.		

	<i>Performed By</i>	<i>Workpaper Reference</i>
c. Determine that the method of estimation and significant assumptions used are properly disclosed.		

Based on the procedures performed and the results obtained, it is my opinion that the objectives listed in this audit program have been achieved.

Performed by \_\_\_\_\_ Date \_\_\_\_\_

Reviewed and approved by \_\_\_\_\_ Date \_\_\_\_\_

Conclusions:

Comments: