

# **AUDIT 2**

## **AUDIT ON FINANCIAL STATEMENT: CURRENT ASSET (CASH & BANK BALANCES)**

Norlini binti Rosli

Hajjah Siti Najdah binti Mohd Nor

# **AUDIT 2**

## **AUDIT ON FINANCIAL STATEMENT: CURRENT ASSET (CASH & BANK BALANCES)**

Norlini binti Rosli  
Siti Najdah binti Mohd Nor



**First Edition 2024**

**© Politeknik Merlimau, 2024**

**All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanic methods, without the prior written permission of the writer, except in the case of brief quotations embodied in reviews and specific other non-commercial uses.**

**Norlini binti Rosli**

**Siti Najdah binti Mohd Nor**

**Published by:**

**Politeknik Merlimau,  
Kementerian Pendidikan Tinggi,  
77300 Merlimau, Melaka**

**Tel: 06-263 6687**

**Fax: 06-2636678**

**Website : [www.pmm.polycc.edu.my](http://www.pmm.polycc.edu.my)**



Cataloguing-in-Publication Data

Perpustakaan Negara Malaysia

A catalogue record for this book is available  
from the National Library of Malaysia

eISBN 978-629-7737-06-5



## **EDITORIAL BOARD**

### **Managing Editors :**

Zuraida binti Yaacob  
Nurul Aqilah binti Johar  
Mazlinda binti Ithnin

### **Editor :**

Kartini binti Che Ibrahim

### **Proofreading & Language Editing :**

Putra Sazly bin Rosman



## **ACKNOWLEDGEMENT**

**We would like to express our heartfelt gratitude to several individuals and groups who have been instrumental in the completion of this e-book.**

**First and foremost, all praise and thanks to ALLAH s.w.t for all the blessings we have received throughout this journey.**

**We would like to thank Cik Norhazma bt Nafi, Head of Diploma Accountancy Program, for her unwavering support and guidance .**

**We also deeply grateful to Pn Maria binti Mohd Yatim, Head of Commerce Department, for the trust that she has given to us.**

**To my colleagues, thank you for your collaboration and companionship.. Your teamwork made this project not only possible but enjoyable.**

**A special thank you to all of our students, whose enthusiasm and curiosity continually motivate us to strive for better.**

**Finally, we would like to extend our appreciation to the editorial team at Politeknik Merlimau for their professionalism and commitment to quality.**

**Thank you all for your contributions and support.**

**Thank you.**

**Norlini binti Rosli**

**Siti Najdah binti Mohd Nor**



# PREFACE

Welcome to **AUDIT ON FINANCIAL STATEMENT: CURRENT ASSET (CASH & BANK BALANCES)**, a comprehensive guide to the principles and practices of auditing in accordance with approved standards. This book is designed to provide a clear understanding of audit and non-audit services, emphasizing the crucial role of an auditor's professional judgment in their application.

In today's complex financial landscape, the need for rigorous auditing processes has never been more critical. **AUDIT ON FINANCIAL STATEMENT: CURRENT ASSET (CASH & BANK BALANCES)** delves into the development of robust auditing processes, focusing on the meticulous application of audit procedures as outlined in approved auditing standards. Through practical examples and insights, readers will gain proficiency in assessing and validating financial statements with precision and confidence.

Ethical considerations are paramount in auditing. **AUDIT ON FINANCIAL STATEMENT: CURRENT ASSET (CASH & BANK BALANCES)** navigates the ethical complexities that auditors face, offering guidance on ethically judging auditing issues in alignment with approved auditing standards. Upholding integrity and transparency in auditing practices is central to maintaining trust and credibility in financial reporting.

To enhance your learning experience, this e-book is complemented by exclusive access to video content. Simply scan the QR code provided within these pages to dive deeper into key auditing concepts and real-world applications.

Whether you are a seasoned professional seeking to refine your auditing skills or a student embarking on a career in accounting, **AUDIT ON FINANCIAL STATEMENT: CURRENT ASSET (CASH & BANK BALANCES)** serves as your indispensable companion to mastering the art and science of auditing.



# TABLE OF CONTENTS

	<b>CONTENT</b>	<b>PAGE NO.</b>
<b>01</b>	<b>NATURE OF CURRENT ASSETS</b> 1.1. Discuss the nature of current assets. a. Relate to the accounting standards related to current assets	<b>1</b>
<b>02</b>	<b>AUDIT ASSERTION &amp; ACCOUNTING TREATMENT</b>  2.1 Provide appropriate audit assertions and accounting treatments	<b>7</b>
<b>03</b>	<b>ACCOUNTING SYSTEM &amp; CONTROL ACTIVITIES</b> 3.1 Provide the discussion on the accounting system and control activities related to current assets a. Materiality and risk occurred b. Audit evidence	<b>18</b>
<b>04</b>	<b>AUDIT PROCEDURES</b> 4.1 Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments a. Test of control b. Substantive procedures	<b>25</b>
<b>05</b>	<b>REFLECTION</b>	<b>32</b>
	<b>REFERENCE</b>	<b>33</b>
	<b>MIND MAP</b>	<b>34</b>



# 01 NATURE OF CURRENT ASSETS

## 1.1 Discuss the nature of current assets.

### a. Relate to the accounting standards related to current assets

Asset should be classified as a current asset when it:

- (a) is expected to be realized in, or is held for sale or consumption in, the normal course of the enterprise's operating cycle; or
- (b) is held primarily for trading purposes or for the short term and expected to be realized within twelve months of the balance sheet date; or
- (c) is cash or a cash equivalent asset which is not restricted in its use.

(SOURCE: MALAYSIAN ACCOUNTING STANDARDS BOARD(MASB 1))



# 01 NATURE OF CURRENT ASSETS

1.1 Discuss the nature of current assets.

a. Relate to the accounting standards related to current assets

## EXAMPLE OF CURRENT ASSET :

	Dec 31, 2013
<b>Assets</b>	
<b>Current Assets</b>	
Cash And Cash Equivalents	5,000
Short Term Investments	2,000
Net Receivables	15,000
Inventory	100,000
Other Current Assets	3,000
<b>Total Current Assets</b>	<b>125,000</b>

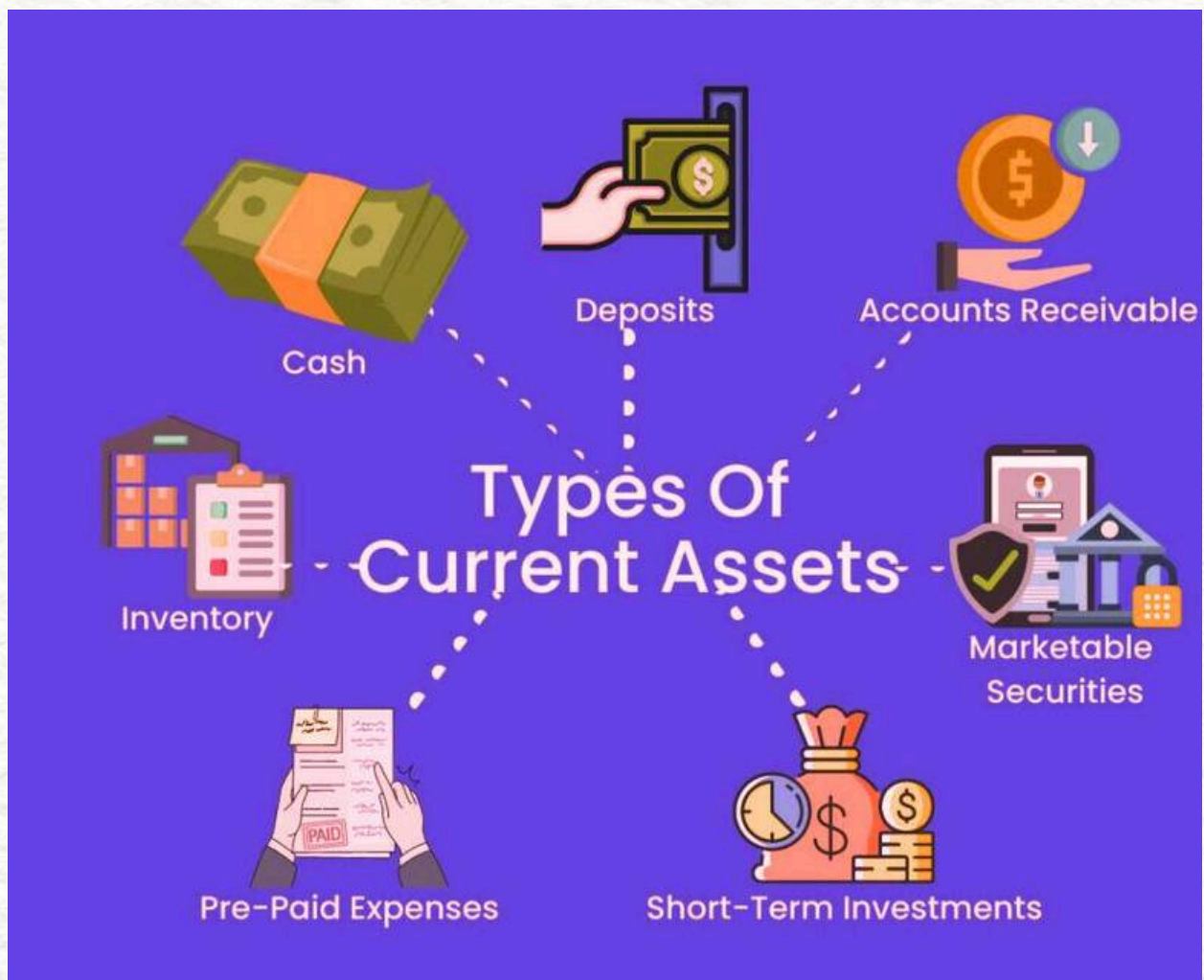


# 01 NATURE OF CURRENT ASSETS

## 1.1 Discuss the nature of current assets.

- a. Relate to the accounting standards related to current assets

### TYPES OF CURRENT ASSET :



SOURCE: <https://www.akounto.com/blog/current-assets>



# 01 NATURE OF CURRENT ASSETS

## 1.1 Discuss the nature of current assets.

### a. Relate to the accounting standards related to current assets

#### 1. Cash and Cash Equivalents

These are assets that can be easily converted into cash. Cash and cash equivalents are current assets that represent cash or other assets. These can be easily converted into cash with a short maturity period, typically within three months or less.

Cash refers to physical currency, coins, and funds in checking and savings accounts. On the other hand, cash equivalents are short-term investments that are highly liquid and have a low risk of value fluctuations.

Examples of cash equivalents include money market funds, Treasury bills, and commercial paper.

#### 2. Marketable Securities

Marketable securities are short-term investments easily bought or sold in public financial markets. They are highly liquid, meaning they can quickly convert to cash without losing value.

Companies and other entities typically hold them to earn a return on their excess cash reserves. Also, they provide a source of liquidity that can be used to meet short-term financial needs.

Examples of marketable securities include stocks, bonds, and other securities actively traded in public markets.

SOURCE: <https://www.akounto.com/blog/current-assets>



# 01 NATURE OF CURRENT ASSETS

## 1.1 Discuss the nature of current assets.

- a. Relate to the accounting standards related to current assets

### 3. Accounts Receivables

When a business owner sells their goods on credit, it is known as accounts receivable. It is important to note that if the credit is given for more than one operating cycle, it shall not be a part of the current assets.

When a company sells products or services to customers on credit, it creates an accounts receivable balance. The balance represents the amount of money the customer owes to the company.

The balance is typically due within a few weeks or months, depending on the terms of the sale.

### 4. Inventory

Inventory refers to a company's stock of goods for resale or use. It includes raw materials, work-in-progress, and finished goods.

Raw materials are the materials that a company uses to produce its products. Work-in-progress refers to products that are still being manufactured or assembled. Goods that are ready for sale are referred to as finished goods.

SOURCE: <https://www.akounto.com/blog/current-assets>



# 01 NATURE OF CURRENT ASSETS

## 1.1 Discuss the nature of current assets.

### a. Relate to the accounting standards related to current assets

## 5. Prepaid Expenses

Prepaid expenses are advance payments made by a company for goods or services it will receive. These expenses are considered assets because the company has already paid for the goods or services.

The company will benefit from them in the future.

## 6. Other Types

Some other current assets apart from those mentioned above are:

- ★ Short term investments
- ★ Supplies
- ★ Advances
- ★ Deposits

SOURCE: <https://www.akounto.com/blog/current-assets>



# 01 NATURE OF CURRENT ASSETS

1.1 Discuss the nature of current assets.

a. Relate to the accounting standards related to current assets

## ACCOUNTING STANDARD RELATED TO CURRENT ASSETS - CASH & CASH EQUIVALENT



**MALAYSIAN ACCOUNTING STANDARDS BOARD 101**

[Click Me](#) 



**FINANCIAL REPORTING STANDARD CASH FLOW  
STATEMENTS**

[Click Me](#) 



**IAS 7 STATEMENT OF CASH FLOWS**

[Click Me](#) 



# 02

## AUDIT ASSERTION & ACCOUNTING TREATMENT

### 2.1 Provide appropriate audit assertions and accounting treatments

#### 1) TEST OF CONTROL

##### -DEFINITION-

Control testing is an audit procedure used to determine whether internal controls effectively prevent or discover material misstatements at the appropriate assertion level.

Control tests determine whether a policy or practice is well-designed to prevent or detect significant misstatements in a financial statement.



# AUDIT ASSERTION & ACCOUNTING TREATMENT

## 2.1 Provide appropriate audit assertions and accounting treatments

### 1) TYPE OF TEST OF CONTROL



#### INQUIRY

Inquiry consists of seeking information from knowledgeable persons in financial or nonfinancial roles within the company or outside the company.

Inquiry may be performed throughout the audit in addition to other audit procedures. Inquiries may range from formal written inquiries to informal oral inquiries.

**EXAMPLE :** Doing an interview with client management to identify their procedure on using cash in daily operation.



SOURCE: [https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a little bit of body text](https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a%20little%20bit%20of%20body%20text)



# AUDIT ASSERTION & ACCOUNTING TREATMENT

## 2.1 Provide appropriate audit assertions and accounting treatments



### OBSERVATION

Observe a business operation that has been performed by the client. particularly on their internal control procedure.

**EXAMPLE :** Attending sales process that has been made by the client.



Observation is the process or procedure of observing processes take place or witnessing physical item in place and operating as described. There also might be considered walkthrough.

SOURCE: [https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a little bit of body text](https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a%20little%20bit%20of%20body%20text)



# AUDIT ASSERTION & ACCOUNTING TREATMENT

## 2.1 Provide appropriate audit assertions and accounting treatments



### INSPECTION OF EVIDENCE

Examine the record of documents that the process has taken place.

**EXAMPLE :** Examine the document whether the transaction has obtained the approval such as the signature, marks or stamp from the person in charge.



SOURCE: [https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a little bit of body text](https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a%20little%20bit%20of%20body%20text)



# AUDIT ASSERTION & ACCOUNTING TREATMENT

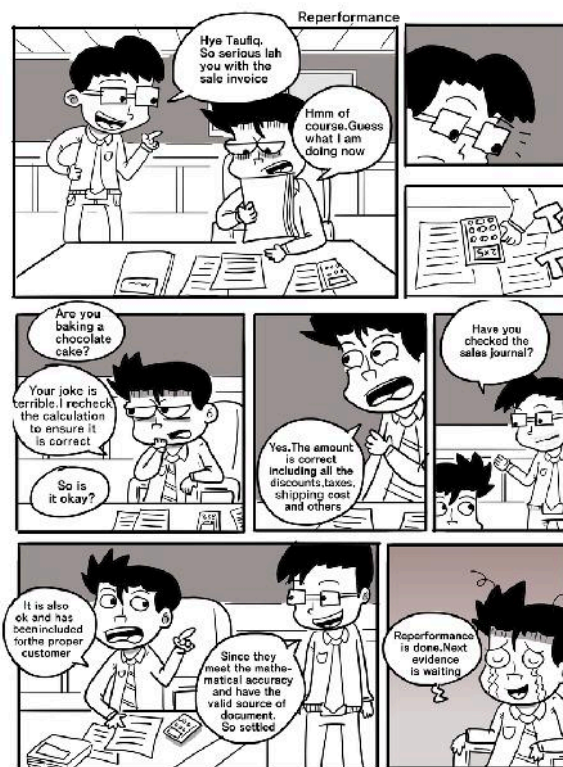
## 2.1 Provide appropriate audit assertions and accounting treatments



### RE-PERFORMANCE

Re execute the process to make sure the process has been using the correct internal control that has been set by the client.

**EXAMPLE :** Create a dummy transaction of purchase and check on how the transaction has been processed and recorded.



Reperformance is Rechecking or recalculating a sample of computations and transfer of information made by the client during the period under audit



# 02

## AUDIT ASSERTION & ACCOUNTING TREATMENT

### 2.1 Provide appropriate audit assertions and accounting treatments

#### 2) SUBSTANTIVE TEST

##### -DEFINITION-

Substantive procedures are those activities performed by the auditor to detect material misstatement or fraud at the assertion level.

The different assertions of balances are: existence, rights and obligations, validity, and completeness

SOURCE: [https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a little bit of body text](https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a%20little%20bit%20of%20body%20text)



# AUDIT ASSERTION & ACCOUNTING TREATMENT

## 2.1 Provide appropriate audit assertions and accounting treatments

### 2a) TYPE OF SUBSTANTIVE TEST

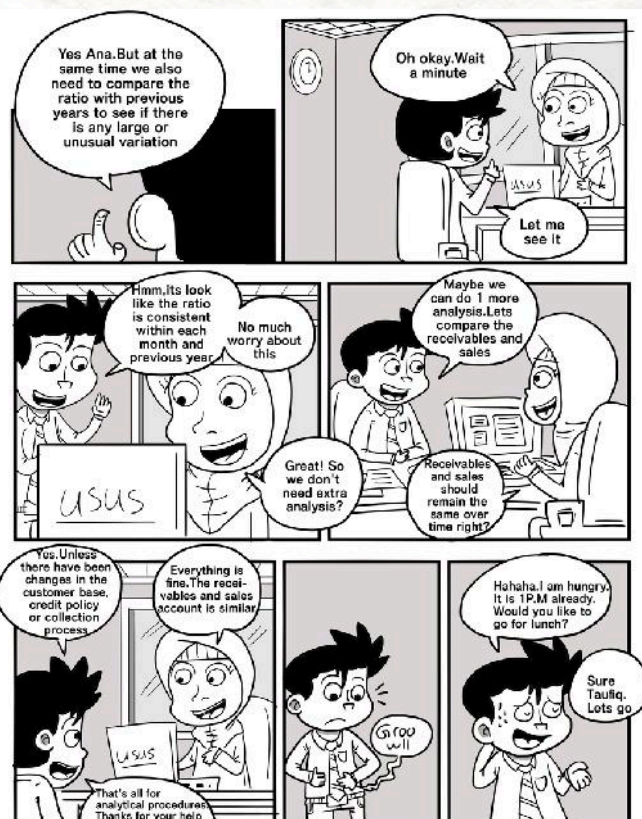


#### ANALYTICAL PROCEDURE

Substantive analytical procedures compare several financial and operational data sets to examine whether trends and relationships are consistent.

These techniques are intended to alert you to potential issues with your financial records, which you can then investigate further.

**EXAMPLE : Liquidity Ratios/ Profitable Ratio/Market Value Ratios**



Analytical procedure is an analysis of significant ratio and trends including the resulting investigation of fluctuations and relationship that is inconsistent with other relevant information. Analytical procedures may range from the use of simple comparisons to the use of complex models



## 2.1 Provide appropriate audit assertions and accounting treatments



### TEST OF DETAILS OF TRANSACTION

Test of transactions focuses on the individual transactions that make up an account balance. This test of details is done to check for the accuracy of the financial statement transactions.

Auditors typically choose a sample to test whether the details match the transaction recorded in a company's books.

**EXAMPLE :** Vouching a sample of sales transactions in the ledger back to the original sales invoices and shipping documents.



### TEST OF DETAILS OF BALANCES

A test of balances is done to check whether any material misstatement exists in the balances of the financial statements' accounts.

This test of details tries to demonstrate that the tests of control and the substantive tests related to transactions are all reasonable.

There are TWO TYPES OF CONFIRMATION:

**a) Positive Confirmation:**

An auditing inquiry that requires the customer to respond, confirming the accuracy of an item

**b) Negative Confirmation:**

Negative confirmations request a response only if the amount stated is incorrect

**EXAMPLE :** Confirming on bank balances as in the bank statement and book of accounts.

SOURCE: [https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a little bit of body text](https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1/a%20little%20bit%20of%20body%20text)



# 02

## AUDIT ASSERTION & ACCOUNTING TREATMENT

2.1 Provide appropriate audit assertions and accounting treatments



HOW AUDIT ON CASH & BANK  
BALANCE IS MADE?

YOU NEED TO UNDERSTAND THE AUDIT ASSERTION

# Assertions



[WATCH THIS VIDEO](#)



# 02 AUDIT ASSERTION & ACCOUNTING TREATMENT

## 2.1 Provide appropriate audit assertions and accounting treatments



### HOW AUDIT ON CASH & BANK BALANCE IS MADE?

- ! **Completeness of records:**  
Verify that the cash stated in the client's records has been fully recorded.
- ! **Cutoff:**  
Prove that the transactions triggering the recordation of cash are recorded in the correct period.
- ! **Disclosure:**  
Corroborate that the information about cash in the client's financial statements is properly presented and fully disclosed.



## 2.1 Provide appropriate audit assertions and accounting treatments



### HOW AUDIT ON CASH & BANK BALANCE IS MADE?



#### Existence:

Affirm the existence of cash and that the related transactions occurred.



#### Rights:

Verify that the client has the legal right to the cash it is recognizing.



# 03

## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

**3.1 Provide the discussion on the accounting system and control activities related to current assets**

**When developing an audit program for cash, the auditor must consider his objectives in this area. They are as follows:**

- **To identify the efficiency of the internal controls over cash being used by the client.**
- **To consider the inherent risks associated with cash.**
- **To identify the risk of material misstatement.**
- **To ensure the reporting has followed the accounting standard.**



## 03

## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

3.1 Provide the discussion on the accounting system and control activities related to current assets

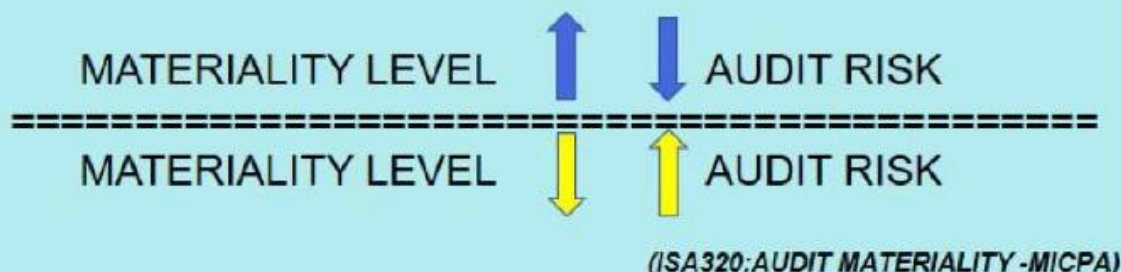
### (a) Materiality and Risk Occured

#### Materiality ?

Materiality means the amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

#### THE RELATIONSHIP BETWEEN MATERIALITY AND AUDIT RISK

There is an inverse relationship between materiality and the level of audit risk, that is the higher the materiality level, the lower the audit risk and vice versa.





# 03

## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

3.1 Provide the discussion on the accounting system and control activities related to current assets

### (a) Materiality and Risk Occured



**CAN YOU LIST OUT THE EXAMPLE OF RISK THAT MIGHT HAPPEN DURING THE AUDIT PROCESS?**





## 03

## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

3.1 Provide the discussion on the accounting system and control activities related to current assets

### (b) Audit Evidence

#### DEFINITION :

Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based.

Audit evidence includes both information contained in the accounting records underlying the financial statements and information obtained from other sources (ISA 500)



[WATCH THIS VIDEO](#)



# 03

## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

3.1 Provide the discussion on the accounting system and control activities related to current assets


### (b) Audit Evidence

#### TYPE OF AUDIT EVIDENCE FOR CASH & BANK BALANCES:


##### 1) CASH BOOK

# Cash Book

Debit					Credit						
Date	Particulars	V.No.	L.F.	Cash (\$)	Bank (\$)	Date	Particulars	V.No.	L.F.	Cash (\$)	Bank (\$)
1-Jun-19	To Capital A/c			\$100,000	\$100,000	2-Jun-19	By Advertisement A/c				\$500
9-Jun-19	To Sale A/c			\$15,000		4-Jun-19	By Purchase A/c			\$10,000	
15-Jun-19	To Mr. C A/c				\$11,000	4-Jun-19	By Stationery A/c			\$550	
21-Jun-19	To Bank A/c	C		\$15,000		10-Jun-19	By Office expenses A/c			\$200	
						18-Jun-19	By Purchase A/c				\$10,000
						21-Jun-19	By Cash A/c		C		\$15,000
						30-Jun-19	By Rent A/c				\$7,500
						30-Jun-19	By Salary A/c			\$17,000	
						30-Jun-19	By Bal. c/d			\$102,250	\$78,000
				\$130,000	\$111,000					\$130,000	\$111,000
1-Jul-19	By Bal. b/d			\$102,250	\$78,000						

WallStreetMojo

##### 2) CASH RECEIPT

CASH RECEIPT		No.	MY-001
Received From		Date	29/01/2019
Mayang Bujang 2 Pasar Moden 55 Kuala Lumpur 55100		Payment Method	Cash
For:		Amount	RM795.00
Received By: East Asia Trading			



## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

### 3.1 Provide the discussion on the accounting system and control activities related to current assets

## (b) Audit Evidence

## TYPE OF AUDIT EVIDENCE FOR CASH & BANK BALANCES:

### 3) PETTY CASH :CASH IN HAND



#### 4) BANK STATEMENT

[illegible]



# 03

## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

3.1 Provide the discussion on the accounting system and control activities related to current assets

### (b) Audit Evidence

#### TYPE OF AUDIT EVIDENCE FOR CASH & BANK BALANCES:

### 5) BANK RECONCILIATION

Bank Reconciliation Statement			
S.No.	Particulars	Amount	Amount
I	Debit Balance as per Cash Book	15,000	
II	Add- Cheque issued but not presented for payment	2,000	
	Add- Direct paid into the bank by Debtor	3,000	
III	Total (I + II)		20,000
IV	Less- Cheques deposited but not collected by the bank	4,000	
	Less- Payment made by bank as per standing instructions	4,000	
	Total (IV)	8,000	
V	Debit Balance as per Pass Book (III - IV)		12,000

### 6) STATEMENT OF FINANCIAL POSITION (SOFP)

Apple Inc.			
CONSOLIDATED BALANCE SHEETS			
(In millions, except number of shares which are reflected in thousands and par value)			
		September 30, 2017	September 24, 2016
ASSETS:			
Current assets:			
Cash and cash equivalents	\$	20,289	\$ 20,484
Short-term marketable securities		53,892	46,671
Accounts receivable, less allowances of \$58 and \$53, respectively		17,874	15,754
Inventories		4,855	2,132
Vendor non-trade receivables		17,799	13,545
Other current assets		13,936	8,283
Total current assets		128,645	106,869

**Cash Equivalent**



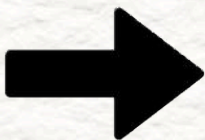
# 04 AUDIT PROCEDURE

4.1 Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments

There are TWO TYPES of Audit Procedures that can be made by an auditor to their client.



**TEST OF CONTROL**



**SUBSTANTIVE TEST**





# 04 AUDIT PROCEDURE

4.1 Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments

## (a) TEST OF CONTROL : CASH

ASSERTION	DESCRIPTION
EXISTENCE	<p>i) Division of duties among custody, recording, authorization and replenishing petty cash fund.</p> <p>ii) Impress petty cash fund system in existence to control petty cash. (accuracy, existence and completeness)</p> <p>iii) All disbursements should be authorized and claims be on approved forms (occurrence).</p> <p>(iv) Independent cash counts on a regular and surprise basis.</p>



# 04 AUDIT PROCEDURE

4.1 Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments

## (a) TEST OF CONTROL : CASH

ASSERTION	DESCRIPTION
COMPLETENESS	Prenumbered petty cash vouchers should be used for withdrawing cash from the fund and a limit should be placed on the size of reimbursements.



# 04 AUDIT PROCEDURE

**4.1 Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments**

## (a) TEST OF CONTROL : CHEQUE

### DESCRIPTION OF CONTROL ACTIVITIES

- i) Segregation of duties in the handling of cheque receipts and recording.
- ii) Immediate preparation of incoming cheque listing and endorsement of incoming cheques.
- iii) Timely deposit of cheques, preferably on a daily basis.
- iv) Cash receipt journal vouchers prepared from cheque listing as pay-in slips and approved by senior accounting staff before input into cash book.
- v) Periodic bank reconciliations prepared by an independent accounting staff members.
- iv) Independent review of bank reconciliation.



# 04 AUDIT PROCEDURE

4.1 Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments

## (b) SUBSTANTIVE TEST : CASH

ASSERTION	DESCRIPTION
COMPLETENESS	<p>i) Trace a sample of remittance advices and pay-in slip to cash receipt journal.</p> <p>ii) Trace a sample of payment vouchers (with supporting documents) to cash book.</p>
ACCURACY	Agree the total of cash receipts and payments to general ledger.
VALUATION	<p>i) Compare a sample of remittance advices with amount in cash receipts recorded in the cash book.</p> <p>ii) Compare a sample of (cancelled) cheques with amounts in cash recorded in the cash book.</p>



# 04 AUDIT PROCEDURE

4.1 Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments

## (b) SUBSTANTIVE TEST : CASH

ASSERTION	DESCRIPTION
<b>OCCURENCE/ EXISTENCE</b>	<p>i) <b>Select samples of cash receipts</b> from cash book and trace to remittance advices, pay-in slips, and bank statement.</p> <p>ii) <b>Select samples of cash payments</b> from cash book and trace to payment vouchers (with supporting documents) and bank statements.</p> <p>iii) <b>Scan through the entries and trace all the unusual items</b>, like contra items, stopped payment items and cancelled cheques, to support documents and authorization.</p>



# 04

## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

4.1 Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments

### (b) SUBSTANTIVE TEST : CASH

ASSERTION	DESCRIPTION
CUT-OFF	Compare the dates for recording a sample of cash transactions with the dates of cash deposited in bank or cheques sent.
CLASSIFICATION/ PRESENTATION	Examine a sample of cash receipts and payments transactions for proper classification.



# 05

# REFLECTION

**Lets do some revision and receive your own  
CERTIFICATION if you get FULL MARKS**





# REFERENCES

Ayoib Che Ahmad et al., (2017). Fundamentals of Auditing (1st Edition). Oxford University Press.

Aasmund Eilifsen et al., (2017). Principles of Auditing & Assurance Services in Malaysia (1st Edition). McGraw-Hill Education.

Alvin A. Arens et al., (2011). Auditing and Assurance Services: An Integrated Approach (14th Edition). Prentice-Hall International.

Ferdinan A Gul et al., (2017). Auditing: Theory and Practice in Malaysia (3rd Edition). Wolters Kluwer.

Companies Act 2016 (Act 777): International Law Books Services.

Malaysian Institute of Accountants – MIA By-Laws (On Professional Conduct, Ethics and Practice). Malaysian Institute of Accountants – Malaysian Approved Standard on Auditing (MASA).

<https://www.akounto.com/blog/current-assets>

<https://www.masb.org.my/>

<https://www.at-mia.my/2021/05/10/test-of-controls-effective-methodology-to-improve-audit-fieldwork-efficiency-part-1>

<https://www.youtube.com/watch?v=X37KHU7YDiw&t=189s>

<https://www.universalcpareview.com/ask-joeey/what-are-the-assertions-for-the-transaction-events-level/>



## 1 NATURE OF C/ASSET

Discuss the nature of current assets:

- a. Relate to the accounting standards related to current assets

2

## AUDIT ASSERTION & ACCOUNTING TREATMENT

Provide appropriate audit assertions and accounting treatments

3

## ACCOUNTING SYSTEM & CONTROL ACTIVITIES

Provide the discussion on the accounting system and control activities related to current assets

- a. Materiality and risk occurred
- b. Audit evidence

Mind  
MAP

4

## AUDIT PROCEDURES

Apply the audit procedures by evaluating the evidence provided or recommended to support the assertions and accounting treatments

- a. Test of control
- b. Substantive procedures

5

## REFLECTION





# **SYNOPSIS**

***AUDIT ON FINANCIAL STATEMENT: CURRENT ASSET (CASH & BANK BALANCES), a concise guide to auditing principles and practices in line with approved standards. This book emphasizes the essential role of an auditor's professional judgment in a complex financial landscape.***

***It covers the development of robust auditing processes and the meticulous application of procedures, providing practical examples to help readers confidently assess financial statements. Ethical considerations are also addressed, guiding auditors in maintaining integrity and transparency in their practices.***

***To enhance your learning, this e-book includes exclusive video content accessible via a QR code. Whether you're a seasoned professional or a student beginning your accounting journey, this book is your essential resource for mastering the art and science of auditing***

# **AUTHORS**



**Norlini Rosli**  
**Senior Lecturer**  
**Diploma in Accountancy**  
**Politeknik Merlimau**  
**Melaka**



**Siti Najdah bt Mohd Nor**  
**Senior Lecturer**  
**Diploma in Accountancy**  
**Politeknik Merlimau**  
**Melaka**

e ISBN 978-629-7737-06-5



9 786297 737065