Form AP 20

Index Reference__________

Audit Program for Prepaid Expenses and Other Assets

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 prepaid expenses and other assets. 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.

Audit Objectives	Financial Statement Assertions
Balances of prepaid expenses, deferred charges, intangibles, and other assets are being allocated to future periods and/or realized in the ordinary course of business.	Existence or occurrence Completeness Rights and obligations Valuation or allocation
Amortization or loss in value is recorded correctly with respect to accounts, amounts, and periods. Amortization methods and periods are reasonable and systematic.	Valuation or allocation
Prepaid expenses, deferred charges, intangibles, and other assets with no continuing value are removed from the books in a timely manner.	Valuation or allocation
Prepaid expenses, deferred charges, intangibles, and other assets are properly classified and presented in the financial statements and adequate disclosures are made with respect to amortization method and period and accumulated amortization for intangible assets.	Presentation and disclosure

	Performed By		*Workpaper Reference*
1. If account balances for prepaid expenses, deferred charges, intangibles, and other assets are not material to the overall financial statements, limit testing to only performing analytical review procedures as follows:			
a. Compare current-period ending balance per the general ledger to the prior-period balance and investigate any unusual variations.			
b. Compare actual amounts to budgeted amounts.			
c. Review general ledger account activity and investigate any entries which appear unusual.			
2. If prepaid insurance balance is material to the overall financial statements, perform the following procedures:			
a. Prepare or obtain from the client an analysis of prepaid insurance and related expense showing (1) insurance company name, (2) policy number, (3) type and amount of insurance coverage, (4) insurance coverage period, (5) premium amount, (6) monthly amortization amount, (7) prepaid insurance balance at the beginning of the period, (8) current-period payments or refunds, (9) current-period insurance expense, and (10) prepaid insurance balance at the end of the period.			
b. Test the arithmetical accuracy of the analysis and determine the reasonableness of the unamortized prepaid insurance balance at the end of the period.			
c. On a test basis, examine insurance policies in force and agree terms and coverage to detail information per the analysis.			
d. Consider obtaining independent confirmation of insurance coverage and terms from the insurance company or broker.			
e. Reconcile insurance expense per the analysis to the general ledger.			

	Performed By		*Workpaper Reference*
f. Determine whether insurance premiums are being financed and, if so, if the related liabilities and finance costs have been recorded.			
g. Vouch significant premiums to premium notices.			
h. Determine whether all significant insurable risks have been considered.			
3. If prepaid property taxes balance is material to the overall financial statements, perform the following procedures:			
a. Prepare or obtain from the client an analysis of prepaid property taxes and related expense showing (1) taxing authority, (2) property location and description, (3) assessed value, (4) total tax paid, (5) payment date, (6) period covered, (7) prepaid property taxes balance at the beginning of the period, (8) current-period payment, (9) current-period expense, and (10) prepaid property taxes balance at the end of the period.			
b. Examine tax bills and record of payment and agree information to the detail analysis.			
c. Test the arithmetical accuracy of the analysis and determine whether the prepaid balance at the end of the period is appropriate.			
d. Reconcile property tax expense per the analysis to the general ledger.			
e. Determine the extent of any property taxes assessed by taxing authorities but delinquent as of the balance-sheet date.			
4. If intangible assets are material to the overall financial statements, perform the following procedures:			
a. For intangible assets acquired from others, examine supporting documentation for the consideration paid.			

	Performed By		Workpaper Reference
b. For intangible assets acquired in connection with the acquisition of another company, determine that the allocation of the purchase price is in accordance with IAS.			
c. Verify that major transactions resulting in the recording of intangible assets were properly authorized.			
d. Determine if the amortization period is reasonable.			
e. Reconcile amortization expense to the general ledger.			
f. Evaluate whether any events or changes in circumstances have occurred indicating that the carrying amount of intangible assets may not be recoverable and whether an impairment loss should be recognized.			
5. For other prepaid expenses, deferred charges, and other assets that are material to the overall financial statements, perform the following procedures:			
a. Prepare or obtain from the client an analysis of such assets showing (1) description of the asset, (2) period covered, (3) balance at the beginning of the period, (4) additions, (5) amount charged to expense, and (6) balance at the end of the period.			
b. Trace significant additions to supporting documents such as invoices, purchase contracts, minutes, etc.			
c. If any costs are allocated to future periods, evaluate the appropriateness of such allocation.			
d. Determine the reasonableness of the remaining unamortized asset balance and the remaining amortization period.			
6. Confirm material deposit balances and other similar assets held by third parties.			

	Performed By		Workpaper Reference
7. Determine if there has been an impairment of value for the assets and make appropriate adjustments.			
8. Determine whether balances are properly classified in the financial statements as current and noncurrent assets and adequate disclosures are made with respect to amortization method and period and accumulated amortization for intangible assets.			
9. 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. Scrutinize documentation supporting amounts capitalized.			
b. Vouch and trace transactions to original documents (not copies), including examination of payment orders and bank statements.			
c. Confirm significant deposits and assets held by others.			
d. Obtain a list of the detail of all suspense accounts and scrutinize activity for unusual or large items.			
e. Review journal entries made to the general ledger accounts.			

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: