

INSTRUCTIONS

This Form should be completed by the component auditor based on responses within the Component Auditor Planning Memo about identifying the following significant items:

- Accounting estimates highly dependent upon judgment or assumptions (including accounting estimates that represent significant risks).
- Other significant risks.
- Matters that are significant involving the selection, application, and consistency of accounting policies.
- Matters that are significant involving complex or unusual transactions.

NOTE: The component auditor may delete tabs that are not applicable.

Accounting Estimates Tab

This tab is used to accumulate identified accounting estimates that are highly dependent upon judgment or assumptions (including accounting estimates that represent significant risks) and the related planned substantive and control procedures. The component auditor should list those items identified by the group engagement team as well as those identified by the component auditor.

Other Significant Items Tab

This tab is used to accumulate significant items such as significant risks (other than those related to accounting estimates), significant matters [significant findings or issues], and complex or unusual transactions. The component auditor should list those items identified by the group engagement team as well as those identified by the component auditor.

Summary of Identified Accounting Estimates That Are Highly Dependent upon Judgment or Assumptions

Component Name: Cosmopolitan Industries Private Limited

	Item #1 (Depreciation of Non-current assets)	Item #2 (Provision for expenses)	Item #3 (Revaluation Reserve)
The nature of the accounting estimate, including the significance of the account, the related class of transaction or account balance, and relevant assertion.	Depreciation of non-current assets (Property, plant and equipment & Right of use assets) includes accounting estimates and judgements which may impact on the valuation and allocation of the balance.	Provision for expenses includes accounting estimates and judgements which may impact on the valuation and allocation of the balance.	Revaluation Reserve includes accounting estimates and judgements which may impact on the valuation and allocation of the balance.
Is this a significant risk?	No	No	No
Is this a significant risk due to fraud?	No	No	No
The substantive procedures planned (e.g., (1) test how management made the estimate, (2) develop an independent estimate, (3) use events occurring up to the date of the auditor's report, or (4) a combination of the procedures).	For substantive test, the following procedures will be included in our audit coverage: 1. Obtain the Fixed Asset Register of Property, plant and equipment during the year and tie out to GL in the financial statements. 2. Obtain explanation for variances and resolve material variance, if any; 3. Check the calculation of the depreciation for the asset and ensure whether the rates used for the depreciation is reasonable. Accordingly, we recalculate the depreciation; 4. Check whether any unusual depreciation amount is charged during the year.	For substantive test, the following procedures will be included in our audit coverage : 1. Obtain every provision amount posted in the FS and take the calculation sheet for that provision; 2. Check whether the estimates used to calculate that provision is reasonable; 3. Check whether the posting amount that provision is approved; 4. Check all the provision adjustments during the year with relevant supporting documents; 5. Query and document reason for long term provision carrying forward to the accounts; and 6. Check the subsequent position whether it is reasonable.	For substantive test, the following procedures will be included in our audit coverage: 1. Check the opening balance of revaluation reserve and check whether the closing balance of previous year is rightly carried forward as opening balance in the current year; 2. Taking the list of assets which were revalued during the year and check whether revalued asset booked in the FS is correct; 3. Obtain the valuation report done by third party and review the basis of the revaluation and reconcile with FS to check whether reflected properly; 4. Checking and re-calculating the depreciation of revalued asset and also the excess portion of depreciation which is transferred from revaluation reserve to retained earnings each year; 5. Checking and verifying the source documents used for the revaluation of assets; 6. Physically verify those revalued assets additions to confirm asset's existence.
The nature, timing, and extent of internal control testing to be performed, including documentation of the relevant control activities.	Obtain fixed assets and depreciation schedule and recheck the calculation.	Obtain sample of provision calculation and recheck whether it is reviewed by Finance Manager and approved by Finance Head/ CFO.	Market acceptability of the valuer (who made the revaluation of the properties) should be checked and review over the ascertained fair value to confirm its reasonableness.
For management review controls, the approach to identify and test (1) controls over information used in the performance of the control or (2) directly test information used in the performance of the control (*). (* Approach #2 does not apply to PCAOB audits.	Accounting policy is used as IUC (Information Used for Control) for depreciation calculation. For testing control over the IUC we shall check whether it is appropriately used.	Contract is used as IUC. For testing the control over the IUC we shall check some contracts on sample basis to reconfirm whether it is approved by the authority.	Obtain valuer selection procedural related documents (I.e BOD approval); getting related revaluation report delivered by the valuer and the fixed asset register. After then matching the pre-valuation status with valuation report and FAR and consider the impact on Financial statements made by revaluation.
List any information used in performing tests and planned procedures to test the accuracy and completeness of that information (including information produced by the entity).	1. Depreciation ledger 2. Depreciation calculation 3. Fixed assets register (to confirm written down value)	1. Provision ledger, 2. Provision calculation sheet	1. Fixed asset register; 2. Depreciation calculation (for excess depreciation adjustment); and 3. Related ledger.

	Item #1 (Depreciation of Non-current assets)	Item #2 (Provision for expenses)	Item #3 (Revaluation Reserve)
The data and assumptions that are significant to the accounting estimate, sensitive to variations, deviate from historical patterns, and are subjective and susceptible to misstatement and bias.	Depreciation rate & assets useful life are significant assumptions which need to confirmed from the policy.	Contract/Agreement is the main basis for provision and hence, it is considered significant here.	Valuation report provided by third party used as the basis for significant assumptions which needs to be confirmed from the policy.
Whether the work of an auditor's specialist will be used and how data provided to the specialist will be tested for accuracy and completeness.	No	No	No
The significance of service organizations in determining the estimate.	There is no involvement of third party for this accounting estimate. So, it is not applicable.	There is no involvement of third party. So, it is not applicable.	Valuation has been done by third party. So, it is applicable.
The performance of retrospective reviews to identify bias in the accounting estimate.	Last year's assumptions remain same for the current year.	Previous year's procedures are applied for the current year.	Revaluation made after 3 years interval in 2021.

Summary of Other Identified Significant Items

Component Name: Cosmopolitan Industries Private Limited

	Item #1 (Revenue Recognition - Occurrence)	Item #2 (Revenue Recognition - Cut off)	Item #3 (Risk of management override of internal control)
Was this item identified by the component auditor in addition to the items identified by the group engagement team's referral instructions?	No	No	No
What type of item was identified?	Significant Risk	Significant Risk	Significant Risk
The nature of the significant risk or significant matter, including the related class of transaction or account balance and relevant assertion. (For significant matters, list the related risks identified, if applicable).	Revenue may be overstated because issuance of invoices and its record may not be related to the valid sales/ shipments.	There may be a risk that the revenue may be recognized in an inappropriate audit period.	Management override of controls may occur in various ways, including journal entries and other adjustments, accounting estimates that are subject to management bias that could result in a material misstatement in the financial statements, unsupportable or inappropriate business rationale for material transactions.
Is this a significant risk due to fraud?	No	No	Yes
Identification of controls that address identified risks.	Accounts and Finance department usually checks the Bills of Lading and Invoices for the recognition of the Revenue. Then an authorized person raises the revenue entry in the system based on receipt of Bill of Lading.	Bill of lading is taken as confirmation of loading of the goods to the vessel/plane for shipment. It also works as a confirmation that risk and reward is transferred. Sales entry is posted in the system only after the bill of lading is received.	<p>A. Control over Journal Entries:-</p> <ol style="list-style-type: none"> 1. All journal entries are posted by designated person with access in system software. 2. Access in system software is provided by Hong Kong based on SAP User Control team. 3. Hong Kong SAP team creates user ID and deactivates User ID 4. Plant CFO approves required adjustments (Edit, delete, revise) when necessary 5. No adjustment can be made after payable is posted 6. Monthly download the GRN file and gather supporting document such as PO for reconciliation <p>B. Control over accounting estimates:-</p> <p>All estimation for depreciation of non-current assets, inventory valuation, workers incentives calculation, employees' provident fund and corporate tax provision etc. are checked and approved by Plant CFO before entering entry in SAP.</p> <p>C. Control over Financial statements and other unusual transactions:-</p> <ol style="list-style-type: none"> 1. Financial statements are checked by the Senior Manager of Central finance team and reviewed by CFO. 2. Financial statements are submitted to the Chairman of the Board of Directors for approval.
Planned procedures to test the design and implementation of the related controls.	<p>Check the following design factors to verify the design appropriateness of the Control:</p> <p>We obtain and review some specific bills of lading and commercial invoices based on ledger entries.</p>	<p>Check the following design factors to verify the design appropriateness of the Control:</p> <p>We shall check some sample entries and determine whether those are posted in appropriate audit period after bill of lading is received and information is posted by the accounts department based on commercial invoice and bill of lading.</p>	<p>Check the following design factors to verify the design appropriateness of the Control:</p> <ol style="list-style-type: none"> 1. We shall select one critical journal entry and will check how the same is approved (starting from initiation, authorization to approval) and check how the same is being passed and also check how the same is reviewed; 2. Obtain their calculation over accounting estimates on sample basis and check the calculation; and 3. Obtain the financial statement for a month & check how the same is approved (starting from checking to approval).

	Item #1 (Revenue Recognition - Occurrence)	Item #2 (Revenue Recognition - Cut off)	Item #3 (Risk of management override of internal control)
If applicable, planned procedures to test the operating effectiveness of the related controls.	We shall select some transaction samples and reconcile with valid bill of lading and commercial invoice information (sample number is to be determined based on Figure 23001.2—Suggested sample sizes for testing the operating effectiveness of controls).	For testing the effectiveness of the control: We shall obtain few sample revenue transaction from the system and check whether those entries are posted only after receiving the bill of lading. We shall check the sales quantity and value from the bill of lading and commercial invoice respectively and cross match with the date of the entries posted in the system.	JE TESTING (Control Over JE): 1. In respect of journal entries, obtain JE dump for the year and check controls over journal entries and adjustments made in the period-end financial reporting process for the required number of samples; 2. Check controls related to accounting of significant management estimates, how the same was exercised and how the same was reviewed on sample basis throughout the year. Check approval of assumptions used in estimates; and 3. Check how the controls over the unusual transactions are performed.
Substantive procedures planned.	For substantive test, we plan to perform the following procedures: To confirm the occurrence: 1. Determine if the accounting policies and IFRS: 15 for revenues are appropriate. 2. Obtain export revenue ledger and match it with the amount reported in the financial statements. 3. Perform analytical procedure on sales analysis; by customers, by months and by comparative yearly analysis. 4. Perform gross profit analysis (Year wise) to consider if any material fluctuation noted, and enquire the variance 5. Sample the transaction from population and conduct test of details on the sample transactions with the underlying supporting documents to ensure occurrence and trace the transaction to the invoice, shipping documents, EXP form, sales contract etc. 6. Check the VAT returns on Sales and re-calculate to see whether total sales reported in VAT return matches with the Revenue ledger.	For substantive test, we plan to perform the following procedures: To confirm the cut-off: From the sales ledger, select some sales population of first 3 days of July 2020, last 3 days of June 2021 and 3 days of July 2021 for cut-off test. Check the sample with shipped on board date mentioned in Bill of lading/Air way Bill/Forwarder Cargo Receipt.	Use parameters per DAM to select journal entries and perform the following procedures over samples: 1. Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements to confirm whether management override has been made to manipulate the FS 2. Review of accounting estimates for biases, the reasonableness of judgment and assumptions made by management. 3. Check Minutes of meeting of Board and other committees. 4. Make inquiries to those charged with governance and management and relevant officers, regarding their knowledge of any actual, suspected or alleged fraud affecting the Company. 5. Evaluate business rationale for significant transactions outside normal course of business.
Planned consultations regarding such transactions, if applicable.	Not applicable	Not applicable	Not applicable
Information (including information produced by the entity) used in performing tests and planned procedures to test the accuracy and completeness of the information.	1. The export sales GL is the base document for testing the completeness. 2. Special attention to be given on the few items of the opening and closing entries to ensure whether these are related to the accounting period. 3. Reconcile with the cut-off testing to ensure whether any entries have been deferred or alternatively, next period entries have been included in the previous accounting period.	Not applicable	Perform integrity test (reconciliation) on data dump with TB and this will ensure the completeness of the information.