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| **Client Name:** Cosmopolitan Industries Private Ltd. | | |
| **Accounting period:** 01 July 2021 to 30 June 2022 | | |
| **Prepared by:** Imtiaz Rashid  **Reviewed by:** Salauddin Morshed |  | **Date:** 10 July 2022  **Date:** 12 July 2022 | |
| **Further Reviewed by:** Faruk Uddin Ahammed FCA, CISA |  | **Date:** 15 July 2022 | |
| **Subject:** Memo of inventory counting | | |

**Objective**

The objective of the MEMO is to document the work procedures performed on inventory counting.

**Background**

Cosmopolitan Industries Private Ltd. (here-in-after referred to as the “Company” or "CIPL") was incorporated in Dhaka, Bangladesh on 26 June 2005 as a private limited company under the Companies Act, 1994. The registered office of the Company is situated at House #17, Road #15, Sector #03, Rabindra Swarani, Uttara, Dhaka. The Company is a subsidiary of Epic Designers Ltd., Hong Kong, SAR.

Mr. Nahin Munkar Niloy, on behalf of Deloitte, physically counted the inventory on 4th July 2022 at the warehouse located at Khejur Bagan, Bara Ashulia, Savar, Dhaka,**Bangladesh.** Raw material is valued at weighted average rate and inventory is recorded using perpetual method.

**Audit coverage:**

* To confirm existence of inventory and observe inventory management.
* To obtain the sample from inventory report for confirming reported quantity.
* To reconciliation of raw material quantity of reporting date with quantity of counting.
* To detect the obsolete or slow-moving inventory.

**About the Inventory**

The inventory of the warehouse consists of following material:

* Raw materials

1. Fabrics
2. Trims
3. Packing Material
4. Accessories

* Work in progress (WIP)
* Finish goods

**Approach followed by the Engagement Team in Inventory Counting**

We (Engagement Team) have performed following procedures for counting the inventory quantities:

1. We have obtained inventory report of 03 July 2022 to perform inventory counting on that day and counted the stock using the method of floor to sheet and sheet to floor.
2. We have determined the sample numbers by using IPE Table from the inventory report of 03 July 2022. The inventory report is divided by four separate parts, these are:
3. Raw material
4. WIP
5. Finish goods
6. Others

We have considered these separately at the time of sampling.

**Sample Selection method:**

We have used Random Sampling Technique during sample selection. The selection numbers are given below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Total line items** | **Particulars** | **Remarks** |
| Raw materials | 7728 | If the line items go above 1000 in client provided report, as per IPE Table 25 samples are selected considering higher risk of assertion. | There are four types of raw materials. For this reason, we have used professional judgement for sampling. |
| Work in progress (WIP) | 28 | If the line items are 12 to 52 in client provided report, as per IPE Table 2 samples are selected considering higher risk of assertion. | N/A |
| Finished goods | 30 | If the line items are 12 to 52 in client provided report, as per IPE Table 2 samples are selected considering higher risk of assertion. | N/A |
| For others | Packing Material: 109  Stock of consumables: 117  Spares Loose Tools: 109  Spares Utilities: 60 | We have counted 35 samples in total. | Since the items are very immaterial, here we have not performed sampling. |

1. We have obtained sample and went to the warehouse with warehouse supervisor to count the selected inventory samples. We have confirmed the physical existence of the quantities in the July 03 report and reconciled receipts or issues quantities to confirm quantity as on 30 June 2022
2. We have obtained the report of 30 June 2022 and confirmed the quantity by reconciling the receipts and issues up to 03 July 2022.

**Conclusion:**

On the above procedures, we have confirmed the quantity of inventory which was shown on inventory report, and noted that everything is presented accordingly.