**Suggested solution - Prepayments**

**Time:** 15 minutes

**Instructions:**

* Map the control to the What Can Go Wrong (WCGW) that the control can mitigate.
* A control can be mapped to more than 1 WCGW.
* Each control properly mapped will earn 1 point.

|  |
| --- |
| **WCGW & Assertions** |
| Amortization is calculated and recorded in the wrong amount (incorrect useful lives, salvage value or methods/assumptions). (1) |
| Amortization expense is not recorded on related assets (2) |
| Prepaid insurance that expired during the year was not expensed. (3) |
| Extensions/totals in the amortization schedules are incorrect (4) |
| Purchases of insurance are not recorded in the proper period. (5) |

|  |  |
| --- | --- |
| **Control** | **Control Type** |
| On a monthly basis, the accounting manager reviews the prepayments amortization calculation and compares it to budget and prior periods. (1)(2)(4) | IT-Dependent Manual |
| The system automatically calculates monthly amortization expense. (1)(2) | Application |
| The Finance Director reviews new contracts, agreements and insurance policies for proper accounting. (1)(4) | Manual Prevent |
| The accounting supervisor reviews subsequent supplier invoices for recording in the appropriate period. (5) | Manual Prevent |
| Supporting schedules are reconciled to the general ledger. (1)(2)(3)(4) | Manual Prevent |