**Suggested solution - Prepayments**

**Time:** 5 minutes

**Instructions:**

* Map the relevant assertions to the related risk for prepayments.
* Assertions can be mapped to more than 1 risk.
* Each correct answer will earn 1 point.

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| **Assertions** |
| Existence (E) |
| Completeness (C) |
| Rights & Obligations (R&O) |
| Valuation (V) |
| Presentation & Disclosure (P&D) |

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| **Risks / WCGW** |
| An entity has an ineffective process for tracking and accounting for contracts and agreements. (C)(E)(R&O)(P&D)(V) |
| There are numerous complex contracts, agreements and insurance policies, under which amounts may be prepaid by the entity. (C)(V) |
| The person responsible for prepayments is new and does not have prior experience inputting contract terms into the system. (V)(P&D)(R&O) |
| Prior audit experience indicates numerous audit adjustments for prepayments related to assumptions used to calculate amortization.(V)(P&D) |
| A 1-year magazine subscription is recorded on the entity’s books even though the magazine’s production ended 3 months ago. (E)(V) |
| Amortization calculations of a retail company that leases all of its store space from third parties are performed manually. (E)(V)(C) |