**Objective:**

Execute the substantive procedures to test the existence of cash as of year-end.

**Time:**

* Part I: 15 minutes to complete the work
* Part II: 15 minutes to complete the work
* Part III: 10 minutes to complete the work
* Part IV: 5 minutes to complete the work

**Instructions:**

You will complete all four parts of this exercise working together as a team but have to complete your own documentation. You may also discuss any questions you have with the senior assigned to your team.

**Your overall task:**

Audit the existence of the cash balance on the financial statements as of year-end for Summit Equipment. The task has been split into four detailed steps.

Follow the instructions in this document. It references evidence and documentation you will need in this activity. All documentation to audit the assertion has been attached in Canvas by your senior. You should access these documents as needed. After you have completed your tasks, you should save your workpapers and support to your hard drive. Then upload your support to the Canvas task, sign off on the task and hand it off to your senior.

If you have questions throughout this activity, ask your senior or the facilitator.

# *Part I: Bank confirmations*

* You have 15 minutes to complete Part I.

### Steps:

1. Navigate to tasks in the EY Canvas and read through the substantive procedures allocated to you by the senior. The first procedure you should select and complete is bank confirmations.
2. Obtain the listing of bank balances as at 31 December 20X6 as per trial balance and corresponding cash lead sheet.
   1. Remember to agree and cross-reference the balances between the lead sheet and trial balance.
3. Set up the lead sheet as your workpaper for the assigned substantive procedures for cash. Index it as C1.
4. Select balances to confirm and determine whether you have the appropriate bank confirmations.

***Note: The confirmation template was pulled from EY Atlas. The audit team then populated the templates with the required information and provided them to the client to be signed. The client returned the signed confirmations to the audit team, and she then mailed them to the corresponding financial institutions. PM 8.5.2 are copies of the confirmations that have been mailed***.

1. Use the information from the confirmations that were mailed to populate the Confirmation Control Schedule workpaper. The confirmation control is necessary to help track and monitor the status of confirmations as this process involves a third-party.
   1. Refer to the PM 8.5.3A: Confirmation Control Schedule
   2. Complete the missing fields using the mailed confirmations and corresponding reconciliations.
2. Index the confirmation control schedule workpaper as C3.

# *Part II: Testing bank confirmations*

* You have 10 minutes to complete Part II.

1. The confirmations have been returned to Anna by the banks. She has attached them in Canvas for you.
2. Update the confirmation control schedule with information noted on the received confirmations.
3. Include the returned confirmations in the workpapers and index them as C4-1, C4-2.

# *Part III: Cash reconciliations*

* For Part III of the exercise, assume a month has passed and it’s now 15 January 20X7.
* You will need to go back to your Canvas file to determine what procedures need to be performed for bank reconciliations.
* You have 10 minutes to complete Part II

1. Obtain the monthly bank reconciliations for the period ended 31 December 20X6. These reconciliations should correspond to the cash accounts in your lead sheet.
2. Index bank reconciliations as C2.
3. Test the mathematical accuracy of the reconciliations and agree the balance per books to the lead sheet (which you should have already agreed to the trial balance).
4. Agree the bank balances in the reconciliations to the bank statements provided by the client.
5. Cross-reference the confirmed balances to the reconciliations.
6. Review the reconciliations at C-2 to determine whether you need to test any reconciling items.
   1. The threshold that should be used for selecting reconciling items to test is CHF 1,500,000.
   2. Look for support for the reconciling items selected for testing.
7. Document the procedures performed directly on the bank reconciliations.

# *Part IV: Resolving reconciling items*

* You have 5 minutes to complete Part IV.

1. If you find that you need support for any reconciling item, you may already have everything you need.
2. Document your work performed and whether you have sufficiently tested the existence of cash as of 31 December 20X6.

# *\*\* Additional information – Confirmations and Control Schedule*

# Bank Addresses

Listing of bank addresses received from the entity employee(s):

**Hilltop Bank**

Account Number: 1001100230 and 1001100430

8 Green Street

8350

Zurich, Switzerland

Bank Clerk: Philip Dark

**Capstone Bank**

Account Number: 345624568 and 345624569

15 Yellow Street

8350

Zurich, Switzerland

Bank Clerk: Deborah Smith