

**COSTING HEAD OFFICE AUDIT PROGRAM**  
**FUNCTION: FINISHED GOODS**

CONTROL OBJECTIVE	RELEVANT CONTROLS	TEST OF CONTROL	WP REF	REPORT ITEM
<p>Information:-</p> <ul style="list-style-type: none"> <li>• Accurate</li> <li>• Complete - i.e. all of it is there</li> <li>• Valid - i.e. all that is there should be there</li> <li>• Timeously available</li> <li>• Timeously reported</li> <li>• Confidential</li> </ul>	<ol style="list-style-type: none"> <li>1. At month-end, the raw and packing costs are confirmed for each factory and the final roll-up is done and the finished product costs are transmitted to Head Office via the system.</li> <li>2. These costs are updated onto the National Stocks system.</li> <li>3. The following reports are processed and printed:            INR715/01 Consolidated Stock Adjustment Analysis            INR742/01 Consolidated Stock Report            INR744/01 Consolidated Stock Report by Factory            INR726/01 Stock Report by Depot            INR718/01 Monthly Intransit Listing            INR736 Summary of Finished Goods Variances            INR741/01 Purchased Product Report            INR726/01 Dummy Stock Rooms Report</li> <li>4. The Stock Adjustment Analysis report comprises of all FPSIs and FPSRs processed for the month by the respective depots. The FPSI and FPSR have pre-printed reason codes and are captured accordingly in the system. These are summarized on the report and are analyzed before a journal is raised and processed on to the JBA system.</li> <li>5. The Summary Finished Goods Variances report is extracted from the Consolidated Stock Report. This is journalized on the General Ledger to the various depot variance accounts.</li> <li>6. The Purchased Product Report lists the purchases of finished goods for the month. Goods Inward Advice is received from the depots and are matched to the invoices. These invoices are authorized and forwarded to the Creditors Department for payment. Unmatched items on the Purchased Product Report are accrued and matched the following month. Reconciliation is also done at month-end.</li> </ol>	<ol style="list-style-type: none"> <li>1. Select a sample of finished products from the Stock Report and verify against the standard costs on the factory report.</li> <li>2. Review a sample of FPSIs and FPSRs and ensure that the reason code selected is appropriate to the remarks on these documents. Trace these to the Stock Adjustment Analysis Report and ensure that these are captured correctly.</li> <li>3. Review the Stock Adjustment Report and ensure that account codes are correctly allocated and journalized accordingly.</li> <li>4. Review the inter-company transfers on the Stock Adjustment report and ensure that these are matched to the correct GRNs on the JBA system.</li> <li>5. Ensure that the Depot variances are journalized to the relevant G.L. accounts. Trace the variances to the General Ledger.</li> <li>6. Review the Purchased Product Report and ensure that the invoices deleted from this report are supported by a proof of delivery (Goods Inwards Advice).</li> <li>7. Select a sample of invoices for purchased products and ensure that the quantity per the invoice, G.I. and accrual report are the same. Ensure all invoices are authorized prior to forwarding to the Creditors Department.</li> <li>8. Review the Purchased Product reconciliation.</li> </ol>		

**COSTING HEAD OFFICE AUDIT PROGRAM**

**FUNCTION: Raw and Packing Materials**

CONTROL OBJECTIVE	RELEVANT CONTROLS	TEST OF CONTROL	WP REF	REPORT ITEM
<p>Information:-</p> <ul style="list-style-type: none"> <li>• Accurate</li> <li>• Complete - i.e. all of it is there</li> <li>• Valid - i.e. all that is there should be there</li> <li>• Timeously available</li> <li>• Timeously reported</li> <li>• Confidential</li> </ul>	<ol style="list-style-type: none"> <li>1. At month-end, the month-end is closed off at the factory. The following reports are automatically generated by the system and sent to Head Office via the JBA system:                      INR27 -Stock Movement Valuation Report                      INR400 -Stock Balances by Period                      Movenarr- Selected transaction by Period                      PM028 -Advice Notes not Invoiced</li> <li>2. The Stock Valuation Report is a summary of the movements of stocks for each stockroom. The closing average price at month-end is compared to the previous months closing average price. Fluctuations between these prices are investigated and are adjusted accordingly.</li> <li>3. The Stock Balances by Period Report is a detailed breakdown of the Stock Movement Valuation Report. Fluctuations identified on the Stock Movement Valuation Report are traced to the Stock Balances by Period Report. The necessary adjustments are made on the report and these are transferred to the recons. On completion of the reconciliation, the journals are written and processed. The following are processed from the journals:                      Actual consumption                      Raw and Packing accruals                      Price variances                      Stock shortages</li> <li>4. The Movenarr Report is a listing of all adjustments that are done at the factory. This report is analyzed and the G.L. account code is entered against each stock movement type. These are then journalized. The control total of this journal must balance to the total on the Stock Movement Valuation report.</li> <li>5. The Advice Notes not Invoiced Report is used by the Accrual Clerk (Refer to Accruals audit PROGRAM).</li> </ol>	<ol style="list-style-type: none"> <li>1. Review the Stock Valuation Report and ensure adjustments to prices are valid.</li> <li>2. Ensure price adjustments on the Stock Valuation Report are reflected on the reconciliation.</li> <li>3. Verify G.L. account codes on the Movenaar Report and trace to the journal and General Ledger system. Ensure the control total on the journal is the same as that on the Stock Movement Valuation Report.</li> <li>4. Review the reconciliation. Trace journals to General ledger. Ensure no long outstanding items appear on recons.</li> </ol>		

**COSTING HEAD OFFICE AUDIT PROGRAM**

**FUNCTION: RAW AND PACKING ACCRUALS**

CONTROL OBJECTIVE	RELEVANT CONTROLS	TEST OF CONTROL	WP REF	REPORT ITEM
<p>Information:-</p> <ul style="list-style-type: none"> <li>• Accurate</li> <li>• Complete - i.e. all of it is there</li> <li>• Valid - i.e. all that is there should be there</li> <li>• Timeously available</li> <li>• Timeously reported</li> <li>• Confidential</li> </ul>	<ol style="list-style-type: none"> <li>1. At month-end, the following reports are printed automatically after the month-end is closed off: PM028 Advice Notes not Invoiced PM134 Accrual Listing</li> <li>2. The following reports are requested by the Accruals Clerk: PLR131 Match Invoices to GRN PLR132 Posting to General Ledger GL131 General Ledger printout of accrual account</li> <li>3. Goods are received at the factories and a GRN is raised. These stocks are credited to accruals in the stock system. These unmatched GRNs appear on the Advice Notes not Invoiced Report. When a supplier's invoice is matched to a GRN and cleared for payment on the P.O.M. system, this GRN is automatically deleted off the Advice Notes not Invoiced Report. The remaining unmatched GRNs are the total value of the accruals. This value is reconciled to the value on the G.L. accrual account.</li> <li>4. After the raw and packing materials have been reconciled, the Raw and Packing Stock Control Administrator raises the journals to transfer the total purchases from the Stock system to the G.L. accrual account.</li> <li>5. Invoices matched for payment at the factories through the P.O.M. system are transferred to the Head Office via the JBA system and are downloaded on the Creditors Ledger. These payments reduce the accrual value in the G.L. accrual account.</li> <li>6. Payments not processed through the P.O.M. system are manually deleted from the stock system. These manual payments are identified on the G.L. printout of accrual account. These deletions will reduce the value on the Advice Notes not Invoiced Report. Reconciliation between the Advice Notes not Invoiced and the G.L. accrual account is done.</li> </ol>	<ol style="list-style-type: none"> <li>1. Select a sample of manual payments on the G.L. accrual account and ensure that these payments are deleted on the stock system.</li> <li>2. Verify the payment value to the accrual value end ensure that differences are written off to accrual variances.</li> <li>3. Review the reconciliation and ensure that the closing balance on the Advice Notes not Invoiced and the General Ledger Accrual account are the same.</li> <li>4. Review the reconciliation for long outstanding items.</li> <li>5. Review the Advice Notes not Invoiced Report and ensure no long outstanding items appear on the report. Ensure that these are followed-up with the factories.</li> </ol>		

**COSTING HEAD OFFICE AUDIT PROGRAM**  
**FUNCTION: COST OF SALES**

CONTROL OBJECTIVE	RELEVANT CONTROLS	TEST OF CONTROL	WP REF	REPORT ITEM
<p>Information:-</p> <ul style="list-style-type: none"> <li>• Accurate</li> <li>• Complete - i.e. all of it is there</li> <li>• Valid - i.e. all that is there should be there</li> <li>• Timeously available</li> <li>• Timeously reported</li> <li>• Confidential</li> </ul>	<ol style="list-style-type: none"> <li>1. The following reports are processed and printed:  Raw, Packing, ME and Sub Contract Costs  Compare Average Costs  Bills and Costs - W.I.P.  Bills and Costs - Finished Products  Yield Variance  W.I.P. Valuation  M.E. Recovery</li> <li>2. The Compare Average Costs Report is reviewed. Price discrepancies are identified and followed-up with the Raw and Packing Stock Control Administrator and the Purchasing Officers at the respective factories.</li> <li>3. The Raw, Packing, ME and Sub Contract Costs Report is reviewed to ensure that bills of material and M.E. per case are updated on the JBA system.</li> <li>4. After steps 2 and 3 have been completed, the final reports (as listed in 1 above) are processed.</li> <li>5. The finished product standard costs are transmitted from the factory to Head Office via the JBA system and down loaded in the Head Office system to run C.O.S. report. The standard costs are also updated onto the National Stocks system and the Income Statement.</li> <li>6. The Cost of Sales is a consolidation of the following:  Standard costs per the reports  M.E. variance  variance  variance  variance  Rebates  Price  Accrual  Yield  Provisions</li> <li>7. A Cost of Sales analysis is prepared for total company.</li> </ol>	<ol style="list-style-type: none"> <li>1. Review the Cost of Sales analysis and trace figures to the G.L. and the factory reports.</li> <li>2. Review provisions and ensure they are reasonable.</li> <li>3. Review rebates received from Suppliers. Ensure that these are allocated to the correct factory and are processed timeously.</li> </ol>		

**COSTING HEAD OFFICE AUDIT PROGRAM**  
**FUNCTION: PRODUCT COSTINGS**

<b>CONTROL OBJECTIVE</b>	<b>RELEVANT CONTROLS</b>	<b>TEST OF CONTROL</b>	<b>WP REF</b>	<b>REPORT ITEM</b>
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**COSTING HEAD OFFICE AUDIT PROGRAM****FUNCTION: JBA SYSTEM MAINTENANCE - Income Statement**

<b>CONTROL OBJECTIVE</b>	<b>RELEVANT CONTROLS</b>	<b>TEST OF CONTROL</b>	<b>WP REF</b>	<b>REPORT ITEM</b>
Information:- <ul style="list-style-type: none"><li>• Accurate</li><li>• Complete - i.e. all of it is there</li><li>• Valid - i.e. all that is there should be there</li><li>• Timeously available</li><li>• Timeously reported</li><li>• Confidential</li></ul>	<ol style="list-style-type: none"><li>1. A copy of the approved NPA (New Product Authority) is forwarded to the Costing Department.</li><li>2. The information relating to D &amp; A, transport rate, RSC levy and sales duty (for Airoma products only) are updated on the JBA system.</li><li>3. The Factory Accountants are responsible for updating the MEs at the respective factories..</li></ol>	<ol style="list-style-type: none"><li>1. Review a sample of NPAs and ensure that the transport rate, D&amp;A, RSC levy and sales duty (Airoma products) are updated on the system for local products.</li><li>2. Ensure that the transport rate for export products are updated on the JBA system.</li></ol>		

**COSTING HEAD OFFICE AUDIT PROGRAM**  
**FUNCTION: JBA SYSTEM MAINTENANCE - (MEs)**

<b>CONTROL OBJECTIVE</b>	<b>RELEVANT CONTROLS</b>	<b>TEST OF CONTROL</b>	<b>WP REF</b>	<b>REPORT ITEM</b>
Information:- <ul style="list-style-type: none"> <li>• Accurate</li> <li>• Complete - i.e. all of it is there</li> <li>• Valid - i.e. all that is there should be there</li> <li>• Timeously available</li> <li>• Timeously reported</li> <li>• Confidential</li> </ul>	1. The MEs are calculated on the Financial Model by the Factory Accountant at the respective factories. These MEs are update on the factory system at the factories. P.S. - MEs for Monate and Carmel are not calculated on the Financial Model.	1. Select a sample of MEs on the Financial Model Report and test these against the live system.		

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