

Joy Celeste C. Embudo  
 May 30, 2003  
 jcembudo@splashcorp.com

**Audit Work Program – Interest Expense**  
**Subsidiary/Department: \_\_\_\_\_**  
**Date: \_\_\_\_\_**

**AUDIT OBJECTIVES:**

To determine whether:

1. Interest expense (including amortization of debt discount and premium) represents all interest incurred during the period and has been properly recorded.
2. Interest expense is properly described and classified and adequate disclosures with respect to these amounts have been made.

**AUDIT PROCEDURES:**

Procedures	WP Ref.	Done Y/N?	By	Date	Comments
1) ANALYTICAL PROCEDURES—GENERAL  a. Compare the balance of each significant interest expense account with the comparable balance for the preceding period and with the budgeted balance for the current period. Investigate significant or unusual fluctuations.  b. Predict interest expense for the period by category of borrowing by multiplying the average principal amounts outstanding during the period by the expected average interest rates. Compare the predicted amounts with the recorded amounts and investigate significant differences.  c. Calculate average effective interest rates for the period by category of borrowing or by type of debt instrument by dividing recorded interest expense by the average principal amounts outstanding during the period. Compare calculated interest rates to expected interest rates based on confirmation with third parties, examination of debt agreements, etc. Investigate significant differences.					
2) DETAIL TESTS OF INTEREST EXPENSE  a. Have the client prepare a schedule of interest payments by debt instrument. Verify the clerical accuracy of the schedule and test it as follows: <ol style="list-style-type: none"> <li>1. Determine whether the detail agrees in total to the recorded interest expense for the period. Investigate significant or unusual reconciling items.</li> <li>2. Review the nature of the amounts included in interest expense for propriety.</li> </ol>					

<p>3. Examine ( ) critical forms and documents to verify the amounts. Scope:( )</p> <p>4. Cross-reference accrued interest payable at the end of the period to our testing of accrued interest payable.</p> <p>3) ANSWER INTERNAL CONTROL QUESTIONNAIRES</p> <p>4) SUPERVISION, REVIEW AND CONCLUSIONS</p> <p>a) Conclude responsive to the audit objectives.</p> <p>b) Prepare points regarding internal controls and other business matters.</p> <p>c) Perform senior review and supervision.</p> <p>d) Clear senior review points.</p> <p>e) Clear manager review points.</p>					
--	--	--	--	--	--

**PERFORMED BY:**

**REVIEWED BY:**

---

**Audit Assistant**

---

**Audit Supervisor**