

UNDERSTAND THE ACCOUNT

1. Identify **WHAT** the account is.
2. Identify what **ACCOUNTING STANDARD** applies.
3. Identify **HOW** that standard applies.

LINK TO BUSINESS

1. Identify the **VALUE PROPOSITION** of your business.
2. Identify the **KEY ACTIVITIES**.
3. Assess how the specific account is **INFLUENCED** by 1 and 2

SELECT YOUR ASSERTION

Based on your form an expectation for the account **RISK** and **DIRECTION** select an appropriate assertion:

- Understatement = Completeness / Valuation
- Overstatement = Existence / Valuation

FORM AN EXPECTATION

Form an expectation for the account:

1. Based on your understanding of the operations.
2. Based on the accounting treatment

RISK ASSESSMENT THE THOUGHT PROCESS

CHOOSE A DIRECTION

Based on your expectation decide on a direction of testing:

1. Expectation = Larger balance - Understatement risk
2. Expectation = Lower balance - Overstatements risk

EXPECTATION VS ACTUAL

Compare your expectation to the **ACTUAL** value:

1. Enquire about unusual differences
2. Differences indicates **RISK**