

## Inventory Observation Questionnaire

Client	Year-End	WP No.
Prepared by	Date	

This questionnaire is designed to assist the auditor in documenting observations about the client's inventory-taking procedures. Observation of inventories is a generally accepted auditing procedure. This means there is a presumption that inventories will be observed unless the amounts are not material to the financial statements. If we do not observe inventories, we document in the work papers how the presumption is overcome.

We may use this questionnaire to document our inquiries and observations related to the client's physical inventory count.

We may reperform inventory counts as part of our test of controls and/or as a substantive procedure if appropriate. We may select key items or a representative sample.

In addition to the items noted above, the auditor also performs the following prior to the observation of inventory and performance of test counts:

- Review client's inventory plan;
- Inquire as to possible inventory at public warehouses or other outside locations and/or inventory on consignment and inform staff as to procedures to be followed.

### Section I—Planning information

Client \_\_\_\_\_

Engagement Number \_\_\_\_\_

Year End \_\_\_\_\_ Inventory Date \_\_\_\_\_

Primary Client Contact:

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone number \_\_\_\_\_

Location of Inventory Observation \_\_\_\_\_

Based on initial inventory observation planning, the number of test counts at this location is: \_\_\_\_\_

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Audit Staff

Dates and Times present at observation

In charge: \_\_\_\_\_

\_\_\_\_\_

Audit Staff: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

Telephone number for in charge and/or manager during observation should problems or additional questions arise:

Name

Telephone number

In charge: \_\_\_\_\_

\_\_\_\_\_

Manager: \_\_\_\_\_

\_\_\_\_\_

Additional comments regarding observation (additional procedures to be performed, stratification plan, outside inventory, suggested attire, etc.):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Section II—Inventory observation

Note: Explain all negative responses or cross-reference to explanatory comments in the audit work papers.

	<u>QUESTION</u>	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>COMMENT</u>
1.	Who was in overall charge of the inventory count from the client?  Name _____ Title _____	_____	_____	_____	_____
2.	Was this person present during the entire time?	_____	_____	_____	_____
3.	State the dates and hours that the inventory was started and completed:  Dates _____ Hours _____				
4.	Did the company issue printed inventory instructions?  If yes, have we obtained a copy for our files?	_____	_____	_____	_____
5.	Was warehouse or storeroom orderly and the stock adequately protected against the weather or other losses?	_____	_____	_____	_____
6.	Did all of the goods on the company premises belong to the company?  If no, how were goods which did not belong to the company shown on the inventory?  _____ _____ _____ _____ _____	_____	_____	_____	_____

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<u>QUESTION</u>	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>COMMENT</u>
7. How were the following classes of items indicated so as to be properly priced?				
Obsolete _____				
_____				
_____				
Discontinued _____				
_____				
_____				
Damaged _____				
_____				
_____				
Overstocked _____				
_____				
_____				
8. Was the plant shut down (closed) for inventory taking?	_____	_____	_____	_____
If no, was proper control exercised over movement of inventories?	_____	_____	_____	_____
9. Does the company maintain perpetual inventory records?	_____	_____	_____	_____
a. If yes, have or will they be adjusted to the physical counts?	_____	_____	_____	_____
b. Have you checked your test counts to perpetual inventory records and are adjustments material?	_____	_____	_____	_____
10. Was all inventory tagged and accounted for?	_____	_____	_____	_____

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<u>QUESTION</u>	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>COMMENT</u>
11. Were all physical counts:				
a. Subject to adequate supervision?	_____	_____	_____	_____
b. Subject to dual control in which at least one person is independent of the regular storekeeper?	_____	_____	_____	_____
c. Based on prenumbered tags (or other controllable system)? If not, explain.	_____	_____	_____	_____
_____				
_____				
_____				
d. Was information listed on tags complete in all respects?	_____	_____	_____	_____
e. Was information listed on tags subject to review by a second count team?	_____	_____	_____	_____
12. Were <u>ALL</u> items actually counted, weighed, or measured by the client?	_____	_____	_____	_____
13. Have you completed the appropriate number of test counts in which you verify:				
a. Recorded quantity;	_____	_____	_____	_____
b. Description;	_____	_____	_____	_____
c. Unit of measure;	_____	_____	_____	_____
d. Any other information necessary to properly value the inventory?	_____	_____	_____	_____

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<u>QUESTION</u>	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>COMMENT</u>
14. Did you discover any significant exceptions?  If yes, have you expanded your test count procedures?	_____	_____	_____	_____
15. Were all of the machinery or materials charged to fixed asset accounts excluded from the inventory count?	_____	_____	_____	_____
16. Has merchandise outside in trucks or railcars been accounted for?	_____	_____	_____	_____
17. Have procedures relative to control of company's inventories located at subcontractors, suppliers, or with others been reviewed?	_____	_____	_____	_____
18. Does the company inventory supplies, packaging materials, etc., If yes, were they physically counted at year-end?	_____	_____	_____	_____
19. Have you paid special attention to shipping and receiving areas to ensure an accurate count and proper cut-off?	_____	_____	_____	_____
20. Have you obtained last receiving record number(s) for checking cut-off? (If not numbered, list last few receivers.)  _____ _____ _____	_____	_____	_____	_____
21. Have you obtained last shipping or sales record number(s) for checking cut-off? (If not numbered, list last few shippers and sales invoices.)  _____ _____ _____	_____	_____	_____	_____

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<u>QUESTION</u>	<u>YES</u>	<u>NO</u>	<u>N/A</u>	<u>COMMENT</u>
22. Have you obtained or prepared a tag control and tested its accuracy and completeness <u>PRIOR TO LEAVING COMPANY PREMISES</u> ? (All tags voided, used and unused should be accounted for.)	_____	_____	_____	_____
23. Once completed tags have been collected, have you taken a sample and traced the tag back to the goods to verify existence?	_____	_____	_____	_____
24. Have you performed the additional procedures requested in Section I?	_____	_____	_____	_____
25. Have you addressed all items noted in the instructions from the originating office, if applicable?	_____	_____	_____	_____
26. Do you have any additional comments regarding this inventory observation?	_____	_____	_____	_____