

G. JOURNAL ENTRY TESTING

Concept of Journal Entry Testing

Within the development of the digitalization the audit process has gone and will go through changes, too. Concerning data analysis, it is now possible not only to document and save data, but also to recognize the origins of a booking as part of the value-adding process.

Computer Aided Auditing requires software that perform specific tasks (e.g. collecting, selecting, sorting, summarizing, comparing, evaluating). The software might run directly on the client's computer system (if the client allows it). An alternative approach is to export some relevant data from the client's computer to a file. The auditor can import this file on his computer and analyze the data there.

- Widespread commercial software tools are e.g. ACL and IDEA, which offer very comprehensive functions.
- However, many task can also be solved in spreadsheet programs like Excel.

The testing of journal entries (JET) is a common practice.

“Journal Entry Tests” (JET) is a term for describing methods to analyse transaction data more targeted. It can be used to identify journal entries, which show abnormalities and may represent misstatements. The obligation to carry out JET arises from the International Standards of Auditing (ISA), ISA 240.

JET have to be a continuous support throughout the audit process. At the beginning, rough deviations can be recognised through JET, so that risk areas can be identified. During the preliminary examination, JET can be used for functional tests. During the main audit, JET supports analytical and individual audits.

Case Study Selecting Specific Data Records

Open the file **Revenues (Task).xlsx**

Select specific data records depending on revenue:

- Amount higher than 50,000 €
- Amount between 9,800 and 10,000 €
- With discounts granted
- Of product L-4000
- Of a customer with CustomerID = 204
- Between 23.12.2017 and 1.1.2018

Case Study Pivot Tables

Open the file **Revenues (Task).xlsx** again.

Create aggregations using pivot tables:

- Revenue amounts per product.
- Number of orders/invoices per product.
- Average revenue amounts of order/invoice per product.
- Revenue amounts per customer.
- Revenue amounts per discount condition.
- Revenue amounts per customer and per product.
- Revenue amounts per customer and only for products of Type SM-...
- Number of orders/invoices per customer and per discount condition.

Case Study Age Structure Analysis

If receivables due have not yet been settled this might be an indication that the customer is in economic trouble. He might not be able to fully pay his debts in the future and an impairment might be necessary. Therefore in accounting it is important to analyze the age structure of receivables.

Open the file **Receivables (Task).xlsx**

- Which receivables are overdue on the reporting date (31.12.2017)?
- If they are overdue for how many days?
- How many are overdue for more than 2 weeks?

Receivables are overdue if the date of the invoice plus the days allowed for payment is before the reporting date.