

How to Audit Fixed Assets

3rd Edition

By Steven M. Bragg, CPA

Table of Contents

Chapter 1 – Auditing Fixed Assets	1
Learning Objectives	1
Introduction.....	1
Auditor Objectives	2
Auditing Characteristics of Fixed Assets.....	2
Initial Fixed Asset Recognition.....	4
Auditing Activities.....	4
Inherent Risk Assessment.....	4
Material Misstatement Assessment	5
Fixed Asset Roll Forward Report.....	6
Substantive Procedures	7
Vouching New Acquisitions	9
Inspect Newly-Acquired and Older Assets.....	10
Review Repair and Maintenance Expenses.....	11
Verify Legal Ownership	12
Investigate Legal Encumbrances.....	12
Investigate Possible Impairments.....	13
Conduct Analytical Procedures.....	14
Review Presentation	15
Internal Controls Used by the Client	15
Activities for an Initial Audit.....	19
Fraud Issues.....	20
Summary	20
Review Questions	21
Review Answers	22
 Chapter 2 – Auditing Intangible Assets	 23
Learning Objectives	23
Introduction.....	23
Intangible Asset Auditing Activities	24
Goodwill.....	25
Goodwill Impairment	25
Goodwill Amortization	27
Goodwill Auditing Activities.....	27
Summary	28
Review Questions	29
Review Answers	30
 Chapter 3 – Auditing Depreciation.....	 31
Learning Objectives	31
Introduction.....	31
Depreciation.....	31
Straight-Line Method.....	32
Sum-of-the-Years' Digits Method.....	33

Table of Contents

Double-Declining Balance Method.....	34
Units of Production Method	36
Land Depreciation	37
Land Improvement Depreciation.....	37
Depreciation Accounting Entries.....	38
Auditing Activities.....	40
Review Depreciation Policies	40
Test the Accumulated Depreciation Roll Forward Report.....	40
Test Depreciation.....	41
Impact of Adjustments to Fixed Asset Accounts	41
Activities for an Initial Audit.....	42
Fraud Issues.....	42
Summary	42
Review Questions	43
Review Answers	44
Chapter 4 – Planning the Fixed Asset Audit.....	45
Learning Objectives	45
Introduction.....	45
Requests for Client.....	45
Summary	46
Review Questions	47
Review Answers	48
Glossary	49
Index.....	51