inspect customer balance review if clients owing more than their credit limit
expert: existence, valuation, allocation---appropriateness, source data sufficient and reliable---vouch sample
overseas account receivable: existence, valuation---review subsequent payments, review evidence of delivery, review procedures for allowing credit
purchase new machine: value of old machine is obsolete, write down to recoverable amount, consider management intention(sell?)

9:
materiality←----→audit risk
if IR and CR are high, need more substantive testing to get evidence (larger sample) to decrease DR
substantive procedure: analytical procedure, test of transactions/balances
initial engagement: prior closing balance, accounting policies---review/evidence/perform
(statistical or not)sampling, 100% examination, specific items

	Controls are effective	Controls are not effective
Sample -CR is low	**Correct decision**	**Risk of overreliance**
Sample not -CR is low	**Risk of underreliacne**	**Correct decision**

Sample risk/ non sample risk

10:
e.g. **control:** customer credit is checked prior to authorize sale to ensure collectability (enquire staff, observe, inspect document of evidence)
substantive testing: trace opening balance, review account and investigate unusual events
plan→test of controls-→substantive procedure

	sales	**purchase**
procedure	sales, receipt, adjustment	purchase, payment
IR	pressure on management, high volume, contentious revenue recognition, cash, sales adjustment to conceal theft	pressure on management to understate, high volume
CR	variety and magnitude of misstatement, high transaction volume and good internal control---not as much substantive procedure	(prevent, detect, correct):company adopt ineffective internal controls, high volume means lower assessed level of CR approach is more efficient
materiality	sales and cash transactions, AR	Purchase, AP