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Ensuring the Validity of Accounts Receivable Through Five Audit Assertions

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Abstract
Accounts receivable is an account with a high risk of material misstatement because it involves estimation and uncertainty of value. Therefore, Test of Controls through five audit assertions is important to ensure the reliability of internal control. However, studies on how auditors interpret and perform tests of controls on accounts receivable are still limited. This study aims to uncover auditors' understanding in assessing the reliability of internal control over accounts receivable through five audit assertions using Paul Ricoeur's hermeneutic approach. The method used is qualitative interpretive with analysis at the semantic, reflective, and existential stages. The results show that testing of controls is not only technical, but also interpretative. Auditors consider context, risk, and professional judgment in assessing the effectiveness of controls, resulting in differences in interpretation among auditors.

1. INTRODUCTION

Audits and the issuance of opinions by independent auditors play a crucial role in enhancing the reliability of financial statements (Arens et al., 2022). Furthermore, audits serve to strengthen public confidence in the financial information presented by entities, as high-quality audit reports form the basis for decision-making by various stakeholders (Novatiani et al., 2024).

The audit process encompasses two main activities: substantive testing, which aims to detect material misstatements in accounts and transactions (Messier et al., 2021), and control testing, which focuses on assessing the effectiveness of an entity's internal control system (Knechel & Salterio, 2017). The results of control testing determine the extent to which auditors can rely on internal controls and also influence the scope of subsequent audit procedures (ISA 330, 2020, Par. 8–9). If internal controls are assessed as ineffective, the auditor will expand substantive testing in response to increased detection risk (Airout, 2022), so that the effectiveness of internal controls ultimately determines the audit strategy and depth applied (Handayanto et al., 2025).

Although audit standards provide clear guidance on conducting assertion-based control testing, in practice, this process does not always proceed mechanically. When internal controls are not well documented, the assessment of their effectiveness relies heavily on the auditor's professional judgment (Nguyen & Das, 2024). Differences in experience and background among auditors can also lead to differing interpretations even when using the same assertion framework (Power & Gendron, 2014), which underscores that the assessment of internal controls is inherently subjective (Airout, 2022). Thus, control testing is, in essence, an interpretive process that is far more complex than a mere checklist-based activity.

This complexity is particularly relevant for accounts receivable, which are highly susceptible to the risk of material misstatement and are often designated as a Key Audit Matter (ISA 315; Hidayat & Cheisviyanny, 2025). The challenges of estimating allowance for doubtful accounts, the uncertainty of cash realizability, and reliance on management's credit policies (Bontas & Aurora, 2013) make the testing of the five assertions regarding accounts receivable—existence, completeness, valuation, rights and obligations, and presentation and disclosure—a process fraught with interpretive judgment (Nguyen & Das, 2022). Furthermore, evidence from control testing cannot always be directly inferred, so auditors must still assess its sufficiency and relevance to the identified risks (ISA 330, 2020; IAASB, 2022).

Unfortunately, existing research has not yet adequately addressed this complexity. Previous studies have primarily examined the effectiveness of internal controls in relation to the quality of financial statements or the prevention of fraud (Otoo et al., 2023; Pratiwi & Aufa, 2023), without addressing how auditors interpret the testing process. There are two unresolved gaps: research on auditors' interpretations of control testing at the assertion level for accounts receivable remains very limited, and interpretive approaches such as hermeneutics to examine these practices have not yet been adequately developed (Kristiantari et al., 2023; Vargas-González, 2022), so the interpretive dimension in audit practice remains neglected in the academic literature. Building on these gaps, this study integrates Paul Ricoeur's hermeneutic framework (Ricoeur, 1981; Kublikowski, 2023) to analyze the practice of control testing for accounts receivable based on five audit assertions. The contribution offered is to enrich the audit literature on accounts receivable as a Key Audit Matter (SA 701; IAPI, 2023), while also opening the door to the integration of a hermeneutic approach into audit studies—which have long been dominated by quantitative-positivist approaches—and providing practical insights for public accountants to improve the quality of professional judgment and the overall quality of the audit (Barr-Pulliam et al., 2024)

2. LITERATURE REVIEW

2.1 Internal Control and Test of Control

Internal control is a procedure designed to provide reasonable assurance regarding the reliability of financial reporting while also serving as the basis for the auditor's assessment of the risk of material misstatement (COSO, 2020; IAASB, 2022). COSO (2020) identifies five key components: the control environment, risk assessment, control activities, information and communication, and monitoring. The effectiveness of these controls is assessed during the audit process through control testing, which includes observation, document review, interviews, and reperformance (ISA 330, 2025).

Auditors are required to understand the design and implementation of internal controls as a first step in determining the appropriate audit approach (ISA 315 Revised, 2019), including the decision to rely on controls or to expand substantive testing (Knechel & Salterio, 2017). On this basis, auditors perform control testing to assess whether the designed controls are actually operating effectively throughout the audit period (ISA 330, 2020).

These tests include document inspection, observation, reperformance, and inquiry procedures to obtain sufficient audit evidence (Arens et al., 2021), the results of which will determine the auditor's level of assurance regarding internal controls while also influencing the scope and nature of the subsequent audit procedures required (ISA 330, 2020).

Effective internal controls have been shown to improve the quality of financial statements and reduce the risk of errors and fraud (Handayanto et al., 2025). Conversely, weaknesses in internal controls increase audit risk and prompt auditors to expand substantive testing (Knechel & Salterio, 2017).

However, in practice, the implementation of tests of control does not always proceed ideally because it is often influenced by limitations in documentation and the complexity of internal control systems (Nguyen & Das, 2024). These conditions cause auditors to rely not only on formal procedures but also on professional judgment when evaluating the effectiveness of controls (Glover et al., 2021).

2.2 Audit Assertions, Key Audit Matters and Account Receivables

Audit assertions serve as the basis for auditors to link identified risks to relevant audit procedures (Messier et al., 2021). The number of assertions used varies depending on the standards referenced; Arens et al. (2017) and Messier et al. (2021) group them into seven categories, while the PCAOB (1105) specifies five assertions specifically for end-of-period account balances: existence, completeness, rights and obligations, valuation and allocation, and presentation and disclosure. Given that accounts receivable are balance sheet accounts, this study refers to these five assertions as the most relevant testing framework (IAASB, 2022), whose evaluation process requires auditors to interpret the sufficiency and relevance of evidence in the context of identified risks (Power & Gendron, 2020).

There are differences in the categorization of audit assertions across various standards and literature sources. The following presents a comparison of audit assertions based on PCAOB (1105) and Arens (2017):

Table 1. Differences in the Number of Assertions

No.	Assertions (PCAOB 1105)	Assertions Arens (2017)
1.	Existence	Occurence
2.	Completeness	Completeness
3.	Accuracy/Assesment	Accuracy
4.	Right & Obligations	Right and Obligations
5.	Presentation & Disclosure	Classification & Understanding
6.		Cut Off
7.		Valuation & Alocation

Source: Processed by Reseacher

Based on Table 1, there are differences in the number and naming of assertions between the PCAOB (1105) and Arens (2017). The PCAOB (1105) classifies assertions into five categories, while Arens (2017) uses seven more detailed categories. These differences indicate that the categorization of audit assertions continues to evolve in line with adjustments to international auditing standards. In this study, the assertions used refer to the classification most relevant to the context of testing controls over accounts receivable.

In addition to audit assertions, the concept of Key Audit Matters (KAMs) is also relevant in the context of accounts receivable. KAMs are matters deemed most significant in the audit of the current-period financial statements based on the auditor's professional judgment (ISA 701, 2016). Accounts receivable are often classified as KAMs because they involve significant management estimates, particularly in determining the allowance for impairment losses, as well as a high risk of material misstatement (Sirois et al., 2018; Gold et al., 2020). The disclosure of KAMs regarding accounts receivable in the independent auditor's report aims to enhance the transparency and communicative value of the audit report for users of financial statements.

For accounts receivable, each assertion plays a crucial role in identifying potential misstatements. The existence assertion ensures that the recorded balance actually exists and is not fictitious (Dechow et al., 2021), while the completeness assertion ensures that all accounts receivable transactions have been fully recorded in the financial statements (Weickgenannt et al., 2021). The rights and obligations assertion confirms that the entity has a valid right to the reported accounts receivable (ISA 315, 2019), whereas the measurement assertion relates to the accuracy of the measurement of accounts receivable, including subjective estimates of loss allowances (IFRS 9, 2021 para. 5.5.17).

Finally, assertions regarding presentation and disclosure ensure that accounts receivable are presented in accordance with applicable accounting standards (IAS 1, 2020).

The characteristics of trade receivables, which involve estimates and uncertainties, make them subject to high inherent risk (Nguyen & Das, 2022), thereby making trade receivables one of the primary focuses in audit procedures (Knechel & Salterio, 2017). Therefore, testing controls for each assertion is crucial in assessing the reliability of accounts receivable balances and determining the auditor's level of assurance regarding the financial statements (ISA 330, 2020).

2.3 Ricoeur's Hermeneutics and Testing Accounts Receivable Based on the Five Assertions

Hermeneutics is an interpretive approach used to understand the meaning behind a text, symbol, or social action (Stanford Encyclopedia of Philosophy, 2020). Over time, hermeneutics has developed several major approaches, such as theoretical hermeneutics pioneered by Schleiermacher (1985), philosophical hermeneutics (Gadamer, 2004), and phenomenological hermeneutics developed by Paul Ricoeur (Ricoeur 1974; Wahid 2015).

The hermeneutic approach developed by Ricoeur provides a framework for understanding how meaning is formed through the process of interpreting a "text" (Ricoeur, 1976). Ricoeur emphasizes that a text possesses autonomy of meaning, so it does not depend solely on the author's intent but is also open to various possible interpretations by its readers (Ricoeur, 1981).

According to Ricoeur, understanding is viewed as an interpretive process of a "text" that possesses layered and non-singular meanings (Ricoeur 1981). Ricoeur's hermeneutics is categorized into four main types, namely: (1) philosophical hermeneutics, which addresses the ontological foundations of interpretation; (2) phenomenological/existential hermeneutics, which integrates Husserl's phenomenology and Heidegger's existentialism into the interpretive framework; (3) hermeneutics of faith (or restoration), which seeks to restore the hidden meaning of symbols and texts; and (4) hermeneutics of suspicion, which employs the critical tradition of Freud, Marx, and Nietzsche to uncover the ideologies hidden behind texts (Wasim, 2020). In this study, Ricoeur's phenomenological hermeneutics is most relevant because it enables auditors not only to read evidence literally but also to interpret the experiences and meanings underlying the auditor's internal control testing practices.

Furthermore, Ricoeur (1986) argues that the interpretive process unfolds through three stages: the semantic stage, which involves understanding literal meaning; the reflective stage, which fosters a deeper understanding of the text; and the existential stage, which culminates in the appropriation of meaning into a comprehensive understanding of the self (Kerby, 1992).

The hermeneutic approach developed by Ricoeur provides a framework for understanding how meaning is formed through the process of interpreting a "text" (Ricoeur, 1976). Ricoeur emphasizes that a text possesses autonomy of meaning; thus, it does not depend solely on the author's intent but is also open to various possible interpretations by its readers (Ricoeur, 1981). This concept is relevant in auditing, where audit evidence does not always provide direct and definitive meaning but rather requires the auditor's interpretation within a specific context.

Financial statements, from a hermeneutic perspective, are understood as constructions that require interpretation to grasp the economic reality they represent (Carnegie et al., 2021). Therefore, accounting information—in the form of assertions, including accounts receivable—is not entirely objective but is influenced by the organizational context and management policies (Góras, 2023). In audit practice, the need for interpretation becomes increasingly important when auditors evaluate evidence that requires interpretation. Various studies indicate that estimation-based accounts, such as accounts receivable, carry a high degree of uncertainty, thus requiring contextual understanding (Salehi et al., 2021). Furthermore, the complexity of internal control systems also influences how auditors assess the reasonableness of an account, including in identifying potential misstatements (Cohen et al., 2020).

Ricoeur (1976) explains that the interpretation process occurs through semantic, reflective, and existential stages, which describe the depth of an individual's understanding of a phenomenon. In the context of accounts receivable, the semantic stage is reflected in the auditor's understanding of transaction data and accounts receivable balances. The reflective stage emerges when auditors relate this information to the internal control system and credit risk. The existential stage reflects the formation of the auditor's conviction regarding the overall reasonableness of the accounts receivable balance.

These three stages were subsequently applied in this study. In line with Melo (2016), who asserts that Ricoeur's hermeneutics provides a strong methodological foundation for analyzing meaning in stages, Lavoie & Bourgeois-Guérin (2021) confirm that the existential approach enables researchers to gain a deeper and more contextual understanding.

In the accounts receivable account, the complexity of controls gives rise to estimates and uncertainties that make it insufficient to conduct control testing at the procedural level alone. Within Ricoeur's hermeneutic framework, auditors are required to move from a literal understanding of transaction data (the semantic stage) toward a contextual interpretation of the risks and controls surrounding them (the reflective stage), and ultimately to the formation of professional judgment regarding the overall reasonableness of the accounts receivable balance (the existential stage) (Salehi et al., 2021)

Thus, the testing of the five assertions regarding trade receivables actually reflects an interpretive process that develops gradually as the auditor's understanding of the evidence obtained deepens (Góras, 2023).

3. RESEARCH METHOD

This study employs an interpretive paradigm with a qualitative approach and applies Ricoeur's hermeneutic method to understand how auditors interpret the testing of controls over accounts receivable based on five audit assertions. This paradigm was chosen because auditing practices are not merely procedural and technical in nature but also involve the process of interpreting evidence and the complex context of internal controls.

3.1 Reseacrh Design

This study employs a qualitative approach using Ricoeur's hermeneutic method, which integrates explanation and understanding in a gradual process through a critical and reflective hermeneutic circle (Farooq, 2018; Kublikowski, 2023). Its relevance to audit research lies in its ability to treat “textualized” social actions as objects of systematic interpretation (Ricoeur, 1981), thereby enabling the contextual exploration of the meaning behind accounts receivable control audit practices. This framework is operationalized through three stages—semantic, reflective, and existential—which simultaneously serve as a structure for phased data collection.

To ensure the reliability of the findings, each interview stage is designed so that the consistency of the derived meanings can be tested over time. If the informantts’ understanding shows convergence across these three stages, the findings can be deemed reliable and not merely a reflection of a momentary condition. Conversely, inconsistencies that emerge over time do not necessarily weaken the research; rather, they serve as material for critical inquiry that deepens the quality of the hermeneutic interpretation itself (Alsaigh & Coyne, 2021). Thus, the three-stage interview design not only delves into meaning philosophically but also functions as a strategy for temporal triangulation, in which the researcher explores the same meaning from informantts at different points in time. This data triangulation serves to validate and confirm qualitative findings through exploration from various different perspectives (Donkoh & Mensah, 2023), thereby strengthening the credibility of the research findings as a whole.

3.2 Research Informants

This study was conducted at public accounting firms located in Jakarta and Bekasi, which were selected because they actively serve clients with significant accounts receivable and their auditors have direct experience in performing tests of controls based on the five audit assertions. This study involved four informantts selected through purposive sampling. This number was based on the concept of “information power” (Malterud et al., 2016) and “information-rich cases” capable of providing rich and specific data (Patton, 2015), which emphasize that the adequacy of the number of informantts in qualitative research is determined by the strength of the information they contribute, not by its quantity. Thus, these four informantts were deemed sufficient to answer the research questions in depth and with credibility.

3.3 Data Source

The data source for this study consists of primary data obtained through semi-structured interviews with informantts. This interview technique was chosen because it provides the researcher with the flexibility to explore the informantts’ experiences, understandings, and interpretations in greater depth regarding the practice of testing controls over accounts receivable based on the five audit assertions.

3.4 Data Collection Techniques

Data collection was conducted through semi-structured interviews, which provided researchers with the flexibility to explore informantts’ responses in greater depth. The interview questions focused on (1) the informantts’ understanding of internal controls over accounts receivable; (2) the application of tests of control; and (3) their assessment of the five audit assertions during the audit process. Each informants was interviewed three times, with varying durations, to ensure the depth and consistency of the data, as presented in Table 2.

Table 2. Informants and Interview Conduct

Informant	Position	Work Experience	Number of Interviews	Duration 1	Duration 2	Duration 3
Informant 1	Manager Auditor	> 15 years	3 times	25 minutes	45 minutes	50 minutes
Informant 2	Senior Auditor	8 years	3 times	20 minutes	30 minutes	35 minutes
Informant 3	Senior Auditor	4 years	3 times	25 minutes	40 minutes	45 minutes
Informant 4	Junior Auditor	< 4 years	3 times	20 minutes	35 minutes	40 minutes

Source : Processed by Researcher

3.5 Data Analisys Method

Data analysis was conducted using Ricoeur's (1981) hermeneutic framework through a step-by-step interpretation of interview data treated as "texts." This process of meaning-making was linked to the concept of internal control and the five audit assertions to understand how informants formed their assessments of the reliability of accounts receivable balances.

The analysis was conducted through the following three stages proposed by Ricoeur (1976):

1. The semantic stage, which involves transcribing and reading the interview data in its entirety to understand the literal meaning of each informant's statement regarding accounts receivable control testing.
2. The reflective stage, which involves relating the literal meaning to a broader context—including the internal control system, accounts receivable risk, and audit assertions—to identify patterns and consistency among the informants' statements.
3. The existential stage, which involves exploring the deepest meaning that consistently emerges from the entire interpretation process to identify the most significant aspects in shaping the auditor's assurance regarding the reliability of accounts receivable.

This framework is grounded in Ricoeur's (1976) idea that understanding of a phenomenon develops through three mutually reinforcing levels: literal understanding at the semantic level, critical reflection on meaning and context at the reflective level, and profound interpretation that touches upon the existential dimension of human experience (Ricoeur, 1981; Farooq, 2018). Although Ricoeur did not specifically design this framework for audit practice, its application in this study allows for an analysis that goes beyond procedural descriptions to reveal how the meaning of accounts receivable control testing practices is gradually constructed by auditors in real-world contexts.

These three stages are then synthesized to build a comprehensive understanding of auditors' interpretation of accounts receivable control testing. As will be illustrated in the concentric diagram, the five assertions occupy different levels of existentiality, ranging from those that tend to be procedural at the semantic layer to those that demand higher contextual judgment at the existential layer. This indicates that the depth of auditors' interpretations varies according to the characteristics of each assertion. This synthesis concludes with a conclusion that formulates a conceptual understanding of the depth of auditors' interpretations from the semantic to the existential level.

4. RESULTS AND DISCUSSION

The interview results were analyzed using a three-stage hermeneutic approach. In the semantic stage, the analysis focused on the literal meaning of the informants' responses regarding the audit procedures conducted; at the reflective stage, a deeper interpretation was conducted to understand patterns, consistency, and the interrelationships among the responses; and at the existential stage, the analysis was directed toward identifying the deepest meanings emerging from the consistency of the informants' responses, particularly regarding recurring aspects that hold significance in control testing practices.

a. Semantic Stage

At this stage, the informants described their firsthand experiences in performing testing procedures for controls over accounts receivable based on five audit assertions. Regarding the existence assertion, the informants used customer confirmations as the primary procedure to ensure that the recorded accounts receivable balances actually exist. The informants' responses are as follows:

"… direct confirmation with customers using positive confirmation…" (Informant 1)

"… test accounts receivable transactions through interviews, observations, and document inspections, and ensure the control process over accounts receivable transactions from the initial procedures through to the general ledger" (Informant 2)

"… reconciling the sales ledger with the general ledger to ensure no sales are missing…" (Informant 3)

"The way to check existence is through confirmation" (Informant 4)

Initially, the informants viewed the assertion of existence as a fundamental step to ensure that every accounts receivable balance actually exists and is supported by verifiable transactions.

Regarding the completeness assertion, the informants explained how they ensure that all accounts receivable transactions have been recorded comprehensively, as in the following responses:

"…performing a reconciliation between the sales ledger and the general ledger" (Informant 1)

"For AR/AP, completeness is checked through confirmation and subsequent procedures…" (Informant 2)

"…inspecting documents and ensuring that the control process over transactions—from initial procedures through to the general ledger—is complete" (Informant 3)

"Completeness is simply checking that the list matches the trial balance…" (Informant 4)

The informants understood the completeness assertion as a step to ensure that all transactions that occurred have been recorded, so that no sales are omitted from the financial statements.

Regarding the valuation and allocation assertion, the informants provided the following responses:

"Conducting an aging analysis to calculate allowances based on historical patterns…" (Informant 1)

"…reviewing the aging schedule and customer collectibility patterns. If there are accounts receivable that are long past due or customers who frequently default, we assess whether the allowances established by management are sufficient…" (Informant 2)

"…accounts receivable allowances are determined through discussions with management, confirmation results, post-balance-sheet date receipt checks, evaluation of customer credit history, and review of correspondence" (Informant 3)

"…based on the applicable PSAK 71, the valuation of accounts receivable and the establishment of allowances use percentages, but these are calculated separately for January and June" (Informant 4)

Initially, the informants interpreted the assertions regarding valuation and allocation by emphasizing the importance of accounts receivable aging analysis and customer collectibility evaluation as efforts to assess the reasonableness of accounts receivable balances in accordance with applicable policies, including considerations of PSAK 71 and historical customer payment patterns.

Regarding the assertion of rights and obligations, the informants provided the following explanations:

"… reviewing sales contracts to ensure the company holds the right to collect…" (Informant 1)

"… tracing contracts, purchase orders (POs), delivery orders, and proof of goods receipt from customers…" (Informant 2)

"… working papers must be sufficient to demonstrate the purpose of the testing, the procedures performed, and the test results" (Informant 3)

"… tracing invoices to determine whether they have been paid or not, and checking whether there is a sales agreement…" (Informant 4)

Initially, the informants referred to the review of transaction documents—specifically sales contracts, purchase orders, delivery orders, and invoices—as evidence that the right to collect on the accounts receivable truly belongs to the company and has not been transferred to another party.

Regarding presentation and disclosure, the informants explained:

"… distinguishing between current and non-current accounts receivable, providing an explanation of the accounts receivable recognition policy and allowance for doubtful accounts…" (Informant 1)

"Accounts receivable arise from the AR invoices we issue; each invoice is journalized to accounts receivable, and the figures in the financial statements should align with the detailed accounts receivable records we maintain" (Informant 2)

"… from the subsequent procedures, you can see how they are presented, and the results can be adjusted again after verification…" (Informant 4)

Overall, the informants' responses during the semantic phase indicate that auditors do not view the five assertions as standalone procedures, but rather as an integrated whole that mutually supports the formation of assurance regarding the reasonableness of accounts receivable balances.

Findings at the semantic stage indicate that auditors' understanding remains procedural and literal. This is consistent with the views of Arens et al. (2022) and Messier et al. (2021), who emphasize that a test of control is an audit procedure designed to obtain evidence regarding the effectiveness of internal controls. At this level, auditors have not yet considered the broader context but instead focus on technical procedures such as confirmation, observation, and document inspection.

b. Reflective Stage

In the reflective stage, the informants further explained the procedures they followed with a deeper and more contextual understanding. The responses at this stage showed consistency with the semantic stage while also revealing the professional considerations underlying each testing procedure.

For example, the informants' responses regarding the existence assertion:

> "I conduct the accounts receivable testing procedure by sending direct confirmations to customers, where material accounts are confirmed positively and low-risk accounts are confirmed negatively" (Informant 1)
>
> "… usually I start by talking to the AR department first. After that, I assess the situation on the ground… then I cross-check it against the sample documents…" (Informant 2)
>
> "… I conduct observations to review the reconciliation procedures between the accounts receivable subsidiary ledger and the control accounts in the general ledger…" (Informant 3)
>
> "… we can verify the existence of accounts receivable by preparing and sending confirmations" (Informant 4)

Regarding the existence assertion, the responses from two informants repeated the procedure of sending confirmations to customers, but with richer elaboration on the types of confirmations used—namely, positive confirmations for material accounts and negative confirmations for low-risk accounts—thereby validating that this procedure is central to testing the existence of accounts receivable.

Regarding the completeness assertion, the informants' responses at the reflective stage were:

> "I reconcile the sales ledger with the general ledger to ensure no transactions are missed" (Informant 1)
>
> "… for AR/AP, the fastest way is through confirmation with the customer. Then I also check transactions that appear after the report date" (Informant 2)
>
> "…we can assess the completeness of accounts receivable by comparing the client's list with the trial balance they prepared…" (Informant 4)

During the reflective stage, the informants' responses reiterated the reconciliation and confirmation processes, with additional emphasis on testing transactions occurring after the reporting date (subsequent events).

Regarding valuation and allowance assessments, the informants provided the following responses:

> "Valuation is performed by analyzing the aging report and comparing the allowance amount with the previous year's figure…" (Informant 1)

"…I look at the aging report first, because it shows which accounts are piling up. Then I compare it with the customer's payment history. If a customer hasn't paid in a long time or tends to be delinquent…" (Informant 2)

"Check whether the accounts receivable aging report is routinely analyzed by management to determine the allowance for doubtful accounts" (Informant 3)

"… at my accounting firm, the valuation of accounts receivable and the allowance is based on percentages allocated for January–June and July–December" (Informant 4)

Informants repeatedly cited the aging analysis as the primary tool for assessing the risk of uncollectible accounts receivable. Regarding assertions of rights and obligations, the informants' responses were as follows:

"To ensure the company retains its right to collect, I check whether there are any security agreements or factoring arrangements that result in the accounts receivable being transferred to a third party…" (Informant 1)

"Usually, I review the contract, the purchase order (PO), the delivery order (DO)… and the proof of goods receipt. That's the clearest evidence…" (Informant 2)

"…reviewing the reconciliation procedures between the accounts receivable subsidiary ledger and the control account in the general ledger…" (Informant 3)

"I verify the existence of accounts receivable by checking the invoices, and if there's a sale that hasn't been paid by the customer, then that receivable is indeed a tangible liability." (Informant 4)

In the second stage, the review of contracts and invoices was repeatedly mentioned by several informants, indicating that transaction documents are examined to ensure the company has full rights to the receivables and that the obligations are genuinely in place. Regarding presentation and disclosure, the informants' responses were:

"…they are separated into current and non-current accounts receivable. I also disclose the accounting policies related to accounts receivable as well as information regarding credit risk on significant balances" (Informant 1)

"…the figures in the financial statements must match the details of the receivables. The allowance is set aside for receivables that are already difficult to collect. I just have to make sure the presentation is net and the disclosures comply with PSAK…" (Informant 2)

"I check whether accounts receivable are classified as current and non-current, and whether the allowance policy has been adjusted…" (Informant 4)

During the reflective stage, auditors begin to relate procedures to a broader context, including risk considerations, management policies, and the overall internal control system (Knechel & Salterio, 2017). The depth of interpretation at this stage reflects that the auditor's professional judgment involves a complex interpretive process that depends on experience and the organizational context (Glover et al., 2021), especially when documentation limitations and system complexity prompt auditors to exercise more reflective judgment rather than merely following mechanical procedures (Nguyen & Das, 2024). Thus, the reflective stage is a critical point at which auditors construct a deeper and more contextual understanding of the evidence obtained.

c. Existential Stage

At the existential stage, the meaning that emerges from the informants' responses becomes deeper and more integrated. Only the procedures consistently mentioned from the semantic stage through the existential stage can be viewed as the core of the auditor's interpretation of each accounts receivable assertion. Regarding the existence assertion, the informant described their experience:

> "First, I cross-check it with the invoice and shipping documents. From there, I can see whether the transaction actually took place. If there's still any doubt, only then do I proceed to confirm with the customer…" (Informant 1)
>
> "…I look at the sales documents, then I check whether the shipment actually took place. From there, it's already clear whether the receivable actually exists or not…" (Informant 2)
>
> "I usually issue a confirmation and trace the entries from the financial statements back to the source documents to ensure that the accounts receivable figures are actually supported by transactions." (Informant 3)
>
> "…I send a confirmation letter to the customer and verify the existence of the accounts receivable based on transaction evidence and the underlying business activities, because for me, the numbers must reflect real events." (Informant 4)

At this existence verification stage, the existence of accounts receivable is understood not merely as a figure in the financial statements, but as a tangible representation of business activities that can be directly verified through third-party documents.

Regarding the assertion of completeness, the informants provided the following explanations:

> "I start by reconciling the subsidiary ledgers with the general ledger. After that, I trace the transactions around the report date. From that process, it usually becomes clear whether there are any transactions that haven't been recorded yet or if there are simply recording errors." (Informant 1)
>
> "I trace the sales process all the way to cash receipts. That way, I can ensure no transactions have been missed…" (Informant 2)
>
> "I compare the records with the actual activities to ensure all transactions have been recorded" (Informant 3)
>
> "I check for discrepancies between reports, because those differences usually indicate something is incomplete" (Informant 4)

At this stage, the completeness of accounts receivable is understood as a guarantee that no transactions have been overlooked, achieved through a systematic review of operational activities through to accounting records.

Regarding the assessment and allocation of accounts receivable, the informants provided the following explanations:

> "…examining the age of the accounts receivable and the company's allowance policy. I usually compare it with the previous period as well to ensure that the reported value of the accounts receivable is still reasonable…" (Informant 1)
>
> "I look at the payment history. From that, it's usually clear whether the accounts receivable are still collectible or not…" (Informant 2)
>
> "I analyze the accounts receivable data and compare it to the previous period." (Informant 4)

The assessment and allocation assertion holds the most critical position because it involves the highest level of judgment and future uncertainty among the five assertions. Auditors not only examine the numbers but also assess the probability of collecting the receivables based on historical experience and the client's context.

Regarding assertions of rights and obligations, the informants interpreted testing as an effort to ensure that the right to collect on receivables truly arises from valid transactions, as evidenced by the following responses:

> "I request the loan agreement and review its terms. From there, I verify whether the receivable is still the company's right and whether it has been properly disclosed." (Informant 1)
>
> "I review the transaction documents to ensure that the company is entitled to the receivable." (Informant 2)
>
> "I try to understand the basis of the transaction to determine whether a right actually arises from it." (Informant 3)
>
> "Rights and obligations can be assessed based on the business relationship—whether it is reasonable for the company to have a right to the receivable." (Informant 4)

At the existential stage, the right to receivables is interpreted based on the substance of the underlying business relationship, not merely on the formality of the documents; thus, auditors are required to understand the context of the transaction comprehensively.

Regarding presentation and disclosure assertions, the informants provided the following explanations:

> "I usually ask for additional disclosures so that users of financial statements can understand the status of accounts receivable more fully, along with the associated credit risks…" (Informant 1)
>
> "I check whether the presentation is clear and appropriate and ensure that accounts receivable are classified as current or non-current." (Informant 2)
>
> "I pay attention to the disclosure of accounting policies related to accounts receivable…" (Informant 3)
>
> "I check whether the information on accounts receivable is sufficient for users of the financial statements to understand." (Informant 4)

At this stage, the deepest meaning emerges from the consistency of the responses, in line with Ricoeur's (1981) concept of integrated existential understanding. Salehi et al.

(2021) and Carnegie et al. (2021) demonstrate that estimation-based accounts require deep contextual understanding. To obtain a more complete picture of how the auditor's interpretation develops in each assertion, the results of the three-stage hermeneutic analysis can be visualized in a concentric diagram. This diagram illustrates that the five assertions do not exist at the same level of interpretive depth (Figure 1).

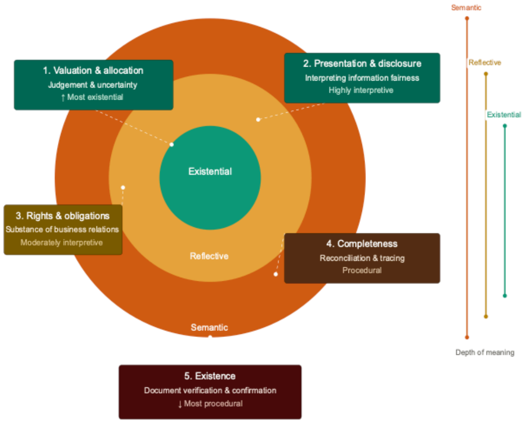

Figure 1. Levels of Existentiality of the Five Audit Assertions on Trade Receivables

Based on Figure 1, there are assertions for which testing can be adequately completed at the procedural and verifying levels, but there are also those that require auditors to delve deeply into professional considerations that are interpretive or even existential in nature. The deeper one goes into the layers of the diagram, the greater the involvement of judgment, uncertainty, and contextual interpretation required of the auditor in performing tests on those assertions.

These findings indicate that auditors' interpretation of control testing for accounts receivable evolves gradually, with varying degrees of intensity across the five assertions. The valuation and allocation assertions consistently emerge as the most interpretation-heavy, as auditors are required to make judgments regarding future uncertainties through aging analysis, collectibility evaluations, and estimates of loss reserves. The assertions regarding presentation and disclosure, as well as rights and obligations, also require a deep understanding of the substance of business relationships and the adequacy of information for financial statement users, while the assertions regarding existence and completeness tend to be verifiable in nature, with procedures that are more focused on document reconciliation. Thus, the depth of an audit of trade receivables is determined not by the number of procedures, but by the auditor's ability to construct a contextual understanding.

5. CONCLUSION

The study found that auditors' understanding of control testing evolves gradually in line with the depth of interpretation required by each assertion. At the semantic stage, all assertions are understood procedurally and relatively uniformly; however, the differentiation between assertions becomes increasingly apparent as the analysis progresses to the reflective and existential stages. Assertions regarding valuation and allocation consistently emerge as the most existential, requiring auditors to go beyond document verification to exercise professional judgment regarding the uncertainty of loss reserve estimates, the collectibility of receivables, and the surrounding economic conditions. Assertions regarding presentation and disclosure, as well as rights and obligations, are at a relatively high existential level because they touch on the substance of business relationships and the interpretation of the reasonableness of information, while assertions of existence and completeness tend to be verifiable, with more uniform interpretations among informants.

The reliability of internal controls over accounts receivable is thus determined not only by the alignment of procedures with the five assertions but also by the auditor's ability to construct contextual and reflective interpretations, where differences in interpretive capacity among auditors have the potential to result in variations in the assessment of control effectiveness, which in turn impacts the quality of professional judgment and the overall audit opinion. Nevertheless, this study has limitations stemming from its scope, which was limited to four informants from a small public accounting firm; consequently, variations in the interpretive capacities of other auditors have not been fully captured. These findings can serve as food for thought for the public accounting profession to strengthen technical guidelines for testing controls over high-judgment accounts, while future researchers are advised to increase the number and diversity of informants.

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