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ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC404
COURSE TITLE : ADVANCED THEORY AND PRACTICE OF AUDITING I
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 4.1
DATE : 12 AUG 2021

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EXAMINATIONS OFFICE
12 AUG 2021
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INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue
2. Use of silent, non-programmable calculators is allowed
3. Answer ALL questions in both Section A and Section B.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []

SECTION A

Answer all questions in this section. Each question carries 2 marks.

Select the most appropriate answer

1. The appropriateness of audit evidence can be enhanced by the following except
 - A. Independence of provider
 - B. Effectiveness of client's internal controls
 - C. Nature of the client industry
 - D. Qualification of provider

2. Which of the following is not a major cause of failure in the planning process
 - A. Starting work before finishing planning
 - B. Inadequate documentation
 - C. Lack of understanding of the business
 - D. None of the above

3. Fraudulent financial reporting may be accomplished by the following except
 - A. Manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial statements are prepared
 - B. Misrepresentation in, or intentional omission from, the financial statements of events, transactions or other significant information
 - C. Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation or disclosure
 - D. None of the above

4. Which of the following is not a stage in the audit process
 - A. Planning
 - B. Responding to assessed risks
 - C. Gathering audit evidence
 - D. Preliminary

5. Which of the following is not a threat to auditor's independence
 - A. Familiarity
 - B. Self-interest
 - C. Self-actualisation
 - D. Self-review

6. All of the following are safeguards created by the audit profession except
- A. Educational, training and experience requirements for entry into the profession
 - B. Continuing education requirements
 - C. Allocation of complex tasks to competent audit firms
 - D. Professional standards and monitoring and disciplinary processes
7. Professional skepticism requires that the auditor assumes that management is
- A. Reasonably honest
 - B. Neither honest or dishonest
 - C. Not necessarily honest
 - D. Dishonest unless proved otherwise
8. The IFAC Code of Ethics recognizes that the objectives of the accountancy profession are:
- A. To work to the highest standards of professionalism
 - B. To attain the highest level of performance
 - C. Generally, to meet the public interest requirement set out
 - D. All of the above
9. Possible indications of the existence of irregularities include the following except:
- A. Missing vouchers or documents
 - B. Falsified documents
 - C. Absence of investment policy
 - D. Evidence that internal control is not operating as it is intended
10. The following are reasons for planning except
- A. Ensuring the right team is selected for the assignment
 - B. Ensuring that the client receives an unqualified opinion
 - C. Ensuring the work is properly focused on material areas of risk
 - D. Ensuring that the nature and quantity of the work done addresses the risks and problem areas

11. Disclosure of confidential information is permitted when
- A. Disclosure is permitted by law and is authorized by the client or employer
 - B. Disclosure is required by law
 - C. There is professional duty or right to disclose confidential information about a client
 - D. All of the above
12. Which of the following is not a right of the auditor in accordance with the Companies and Other Companies Act 24:31
- A. Access at all times to the books, accounts, vouchers and securities of the company
 - B. Access to all current and former accounts of any company subsidiary thereto
 - C. To give an audit opinion on the books reviewed during the audit process
 - D. To be heard at any general meeting which the auditor attends
13. The following are types of audit reports except
- A. Adverse opinion
 - B. Unqualified opinion
 - C. Quality opinion
 - D. Disclaimer of opinion
14. Which of the following is not a component of internal controls
- A. The control environment
 - B. The entity's risk assessment process
 - C. Physical access controls
 - D. Control activities
15. The differences between internal and external auditors lies in the following except
- A. Scope
 - B. Remuneration
 - C. Structure of reporting
 - D. All of the above

[Total: 30 marks]

SECTION B

Answer all questions in this section

Question 1

- a. Consider the following scenarios which are not related in any way:
- An auditor attends the auditee's weekly cash flow meetings as financial expert and adviser.
 - Ms. Chari, left the employ of Chifamba (Private) Limited on 31 May 2018 to join an upcoming audit firm. On 15 February 2019 she is appointed as an engagement partner for the audit of Chifamba (Private) Limited.
 - Zegu, an audit concern, has been outsourced to provide an internal audit function to Katanha (Private) Limited which it has not audited before.
 - Mc Donald, an auditee, requests its auditors to recruit the Chief Operating Officer on its behalf.

For each and every situation, tabulate the following: the type of the threat, the fundamental principle under threat, and your motivation of why the threat exists and safeguards that may minimise the threat.

[11 marks]

- b. Outline the contents of an engagement letter.

[9 marks]

[Total 20marks]

Question 2

- a. Discuss any five of the auditors' responsibilities with reference to the prevention and detection of fraud.
- b. What factors indicate the risk of irregularities

[10 marks]

[15 marks]

[Total 25marks]

Question 3

- a. Define the following terms:

- Professional scepticism [2 marks]
- Sampling risk [2 marks]
- Detection risk [2 marks]
- Control risk [2 marks]

v. Significant risks

[2 marks]

B. Based on any hypothetical business of your choice in which you have identified material weaknesses as an auditor, write a letter to management in which you highlight the said weaknesses. Your letter should include, but is not to limited to, the following in tabular form: the adverse observation, potential consequences, and recommendations for improvement.

[15 marks]

[Total 25marks]

END OF EXAMINATION QUESTION PAPER