



## ZIMBABWE EZEKIEL GUTI UNIVERSITY

### FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

#### DEPARTMENT OF ACCOUNTING AND FINANCE

#### EXAMINATION PAPER

**COURSE CODE** : CAC204  
**COURSE TITLE** : AUDITING THEORY AND PRACTICE  
**SPECIAL REQUIREMENTS** :  
**DURATION** : 3 Hours  
**LEVEL** : 2.1  
**DATE** : 17 FEB 2022

#### 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. All evidence gathered by the auditor in order to test an assertion or support their opinion must be:
  - A. Specific and proportionate.
  - B. Sufficient and appropriate.
  - C. Salient and approved.
  - D. None of the above
  
2. How can the auditor verify that the bad-debt write-off is correct?
  - A. Compare it to last year, as it should be the same.
  - B. Discuss with management and recalculate based on the information available.
  - C. Carry out a receivable circularisation.
  - D. None of the above
  
3. 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
  
4. 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
  
5. 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

6. 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
7. 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
8. 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
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. The following are types of audit reports except
- A. Adverse opinion
  - B. Unqualified opinion
  - C. Quality opinion
  - D. Disclaimer of opinion

12. 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
13. 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
14. 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
15. 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

[Total 30 marks]

**SECTION B Answer All questions in this section**

**Question 1**

(a) ISA 210 *Terms of Audit Engagements* explain the content and use of engagement letters.

Required:

State any Four items that could be included in an engagement letter.

[4 marks]

(b) ISA 500 *Audit Evidence* explains types of audit evidence that the auditor can obtain.

Required:

State, and briefly explain, four types of audit evidence that can be obtained by the auditor.

[12 marks]

(c) ISA 700: *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements* explains the form and content of audit reports.

Required:

State three ways in which an auditor's report may be modified and briefly explain the use of each modification.

[9 marks]

[Total 25 Marks]

### Question 2

Accountants and auditors need to be ethical when dealing with clients, particularly auditors who seem to be independent. As they have access to confidential and sensitive information pertaining to their clients. These ethical requirements are based on fundamental principles.

- a) Outline and briefly discuss these fundamental principles. [8marks]
- b) Briefly discuss five purposes of an engagement letter in auditing [10 marks]
- c) When do auditors send an engagement letter [7 marks]

[Total: 25marks]

### Question 3

The Chairman of XYZ LTD, a small scale enterprise has been advised by his accountant to appoint an external auditor, but he disagreed with his accountant that since he has a qualified accountant in his employment, there is no need appointing an external auditor.

As a consultant, explain to the chairman:-

- (a) (i) The difference between auditing and accountancy work; [4 marks]
- (ii) The objectives of an external audit [3 marks]
- (iii) The advantages of an external audit [6 marks]
- (b) Discuss five essential features of systems audit [7 marks]

[Total: 20marks]

**END OF EXAMINATION QUESTION PAPER**