



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC212
COURSE TITLE : AUDIT SKILLS
SPECIAL REQUIREMENTS : NONE
DURATION : 3 Hours
LEVEL : 2.1
DATE :

07 JUL 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

SECTION A

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

Select the most suitable answer

1. Which of the following is NOT a statutory right of the auditors of a limited liability company?

(1) A right to attend all directors' meetings and receive all notices and communications relating to such meetings.

(2) A right to speak at general meetings on any part of the business that concerns them as auditors.

(3) A right to attend any general meeting and receive all notices and communications relating to such meetings.

A (1) only

B (1) and (3)

C (2) only

D (2) and (3)

2. The PRIMARY purpose of an auditor evaluating and testing the internal controls of a limited liability company, is to enable the auditor to advise management of the deficiencies in the internal controls.

Is this statement true or false?

A True

B False

3. 'Audit risk' represents the risk that the auditor will give an inappropriate opinion on the financial statements when the financial statements are materially misstated. Which of the following categories of risk can be controlled by the auditor?

Category of risk:

- (1) Control risk
- (2) Detection risk
- (3) Sampling risk

- A (1) and (2)
- B (2) only
- C (1) and (3)
- D (2) and (3)

4. Which of the following should be facilitated by the standardisation of substantive procedure working papers?

- (1) Meeting of specified audit objectives.
- (2) Communicating with the staff of the audit client.
- (3) Delegation of audit work.

- A (1) only
- B (1) and (3)
- C (2) and (3)
- D (3) only

5. Which of the following types of internal controls does a small limited liability company normally have particular difficulty in implementing satisfactorily?

- (1) Segregation of duties.
- (2) Performance reviews.
- (3) Information processing.

- A (1) only
- B (2) only
- C (3) only

D (1) (2) and (3)

6. 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
7. Which of the following is not a threat to auditor's independence
- A. Familiarity
 - B. Self-interest
 - C. Self-actualisation
 - D. Self-review
8. 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
9. 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
10. 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
11. 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

12. 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

13. 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

14. 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

15. The following are types of audit reports except

- A. Adverse opinion
- B. Unqualified opinion
- C. Quality opinion
- D. Disclaimer of opinion

[Total: 30 marks]

SECTION B

Answer all questions in this section

Question One

(a) You recently attended your ZEGU alumni reunion. At the main reception, you encountered an old friend, Tafadzwa, who recently graduated from law school and is now practicing with a large law firm in town. When you told him that you were an external auditor and employed by a one of the big four audit firms, he made the following statement. 'You know, if a statutory audit did not exist, no one would be interested in having an audit performed. You auditors are just creatures of regulation'

Required:

Draft a memo that highlights your thoughts about Tafadzwa's statement that auditors are '*creatures of regulation*'. Be sure to consider relevant evidence of a demand for auditing services outside of legal and regulatory requirements in your memo, and focus on the value that auditing provides. [10 marks]

(b) Auditors have various duties to perform in their role as auditors, for example, to assess the truth and fairness of the financial statements.

Briefly explain the auditor's rights as provided in the Companies and Other Entities Act (Chapter 24:31) which are meant to protect the auditor in carrying out statutory audit work. [8 marks]

(b) Identify and explain FIVE assertions made by the directors of a company, in reporting wages costs of \$1.84 million in the financial statements of a company. [7 marks]

[Total: 25marks]

Question Two

ISA 700: *The Auditor's Report on Financial Statements* requires that an auditor makes a clear expression of opinion on the financial statement audited.

Explain giving typical examples the following types of audit reports:

- (a) an unqualified report opinion [5 marks]
- (b) an unqualified report with a modification [5 marks]
- (c) an adverse report opinion [5 marks]
- (d) a disclaimer of opinion [5 marks]

[Total: 20marks]

Question Three

(a) For each of the procedures identified below, used to obtain audit evidence, describe what it involves and provide an example of its use:

(i) Confirmation [5 marks]

(ii) Recalculation. [5 marks]

(b) With regard to a fleet of motor vehicles as reported in the statement of financial position of a company, list SEVEN substantive procedures that an auditor should carry out to test the assertions relating to the 'valuation' of motor vehicles. [15 marks]

[Total: 25 marks]

END OF EXAMINATION QUESTION PAPER