



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

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**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**

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**DEPARTMENT OF ACCOUNTING AND FINANCE**

**EXAMINATION PAPER**

**COURSE CODE** : CAC212  
**COURSE TITLE** : AUDIT SKILLS  
**SPECIAL REQUIREMENTS** : NONE  
**DURATION** : 3 Hours  
**LEVEL** : 2  
**DATE** :

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

- a) What is an engagement letter? Explain why it is important for the auditor to discuss the contents of the engagement letter at an early stage of an audit. [3 marks]
- b) Briefly explain five (5) auditor's rights as provided in the Companies and Other Companies Act (Chapter 24:31) which are meant to protect the auditor in carrying out statutory audit work. [5 marks]
- c) State and explain the four basic stages of the audit process? [4 marks]
- d) Formulate an audit procedure for any Fixed Asset. [4 marks]
- e) Explain the following types of audit reports:
- i. An unqualified with a modification; [3 marks]
  - ii. An adverse opinion; [3 marks]
  - iii. A disclaimer of opinion. [3 marks]

[Total: 25 marks]

### Question Two

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

- a) Outline and briefly discuss these fundamental principles. [10marks]
- (a) (i) Identify and explain FOUR financial statement assertions relevant to account balances at the year end. [5 marks]
- (ii) For each identified assertion, describe a substantive procedure relevant to the audit of year-end inventory. [5 marks]

[Total: 20 marks]

### Question Three

The auditor is often described as the grey-hound of his/her client and the public in general. An audit increases the credibility of the financial statements and plays an important role in the capital markets of the world.

**REQUIRED**

- (a) List the possible benefits of an audit and name the parties that will benefit from an audit. **[10 marks]**
- (b) Distinguish between an internal auditor and external auditor. **[8 marks]**

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

- c) briefly explain the auditor's statutory and fiduciary duties as provided in the Companies and Other Companies Act (Chapter 24:31). **[7 marks]**

**[Total: 25marks]**

**END OF EXAMINATION QUESTION PAPER**