



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CAC 212
COURSE TITLE : AUDIT SKILLS
SPECIAL REQUIREMENTS : NONE
DURATION : 3 HOURS
LEVEL : 2:1
DATE :

11 OCT 2023

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
4. Begin each question on a new page
5. The number of marks for each question or part question is shown in brackets []

Question 1

1. Boka is a long established distributors of dairy produce and operates in three countries Kenya, Namibia and Tanzania. It operates a centralised office in Kenya for purchasing and accounting functions. As part of the audit, you must carry out a detailed examination of Boka including it's Internal components. Boka's internal controls consists of the following components;

- Control environment
- Risk assessment process
- Information system, including processes relevant to financial reporting and communication
- Control activities
- Monitoring of controls

Required

- a) Explain what is meant by the term control environment. **(3 marks)**
- b) Explain why it is important for the auditor to obtain an understanding of a client company and it's environment including the company's internal controls. **(5 marks)**
- c) Outline any **three (3)** factors that an auditor would expect to see in operation in Boka's control environment. **(3 marks)**
- d) Outline any different control activities that should be found on Bola and provide one specific example of each. **(8 marks)**
- e) Explain any **four (4)** inherent limitations of an Internal control system. **(4 marks)**

2. ISA 200 -Overall objectives of the Independent Auditor and the conduct of an Audit in accordance with ISA provides a description of audit risk and it's components

Required

- i. Outline the **three (3)** components of Audit risks normally examined within a client engagement. **(3marks)**
- ii. Outline any **four (4)** matters that auditors should consider with regard to the reliability of audit evidence. **(4marks)**

(Total 30marks)

Question 2

You have recently applied for the position of audit manager with a medium sized practice in your area. The audit partner wishes to ensure that the successful candidate has a good understanding on the impact of IT on the audit process and had requested applicants to draft a report that.....;

a) Explain what is meant by an Audit trail and explain why it is essential to both management and auditors. **(5 marks)**

b) Illustrate by example any 6(six) typical use of computer aid software. **(6 marks)**

c) Outline any **five (5)** problems associated with the use of Computer audit software. **(5 marks)**

d) Distinguish between general controls and application controls giving one example of each. **(4 marks)**

(Total 20 marks)

Question 3

Mhaka Ltd is a motor business operating a number of shops throughout America that sells to the public and trade. It's inventory is sourced from a large number of suppliers. Having commenced the Interim audit work prior to the company's yearend, you are testing the procurement and purchases system and attending the Inventory count. On the day of this count, you visited one of the central warehouses belonging to the company and observed the following activities;

- Pre- numbered count sheets were being issued to client staff carrying out the count .The count sheets showed the inventory ledger balances for checking against physical inventory.
- All count staff were drawn from the inventory warehouse and were working in teams of two. Information was recorded on the count sheets in pencil so amendment could be made easily as required.
- Any Inventory not located on the pre- numbered inventory sheet was recorded on separate inventory sheets .These were allocated a number by staff as they were used.

At the end of the count all count sheets were collected and the numeric sequence of the sheets checked. The sheets were not signed.

Required

i) Outline any 4 (**four**) audit procedures that an auditor will normally perform prior to attending to the clients warehouse on the day of the inventory count.

(4 marks)

ii) Analyse the deficiencies in the system for counting Mhaka's inventory. Recommend how each deficiency should be overcome.

(16 marks)

iv) In line with **ISA 501** (Audit evidence), what should an Auditor do to obtain sufficient and appropriate audit evidence regarding the existence and condition of inventory where inventory is material to the financial statements?

(5 marks)

(Total 25 marks)

QUESTION 4

a) Outline what opinion an Auditor expresses in a qualified report.

(5 marks)

b) Discuss the types of audit reports and provide for each one an example of where it should be used. You are also required to advise as to who should sign the Audit report and what information should be provided about the signatory.

(10 marks)

c) Explain the purpose of an '*Emphasis of matter*' paragraph and explain where it is usually found in an Audit report.

(5 marks)

d) Outline in the context of an audit, what is meant by the term '*Pervasive*' and highlight it's impact on the financial statements.

(5 marks)

(Total 25 marks)

END OF EXAMINATION QUESTION PAPER

0/15 (pm)