



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

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**FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS**

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**DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL MANAGEMENT**

**EXAMINATION PAPER**

**COURSE CODE** : CAC 222  
**COURSE TITLE** : Audit Process  
**SPECIAL REQUIREMENTS** : None  
**DURATION** : 3 Hours  
**LEVEL** : 2:2  
**DATE** : 12 JUN 2024

**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 and Section B.
4. The number of marks for each question or part question is shown in brackets [ ]
5. Begin each answer on a new page.
6. **DO NOT OPEN THIS PAPER UNTIL THE INVIGILATOR INSTRUCTS YOU.**

**SECTION A [20 Marks]**

**ANSWER ALL QUESTIONS (Each question carries 2marks)**

**SELECT THE MOST APPROPRIATE ANSWER**

**QUESTION ONE**

1. Analytical procedures can be described as

- A. A review of expectations based on ratio analysis, trends and industry information.
- B. Ratio analysis to predict what next years figures may look like.
- C. Industry analysis to evaluate technological advances.
- D. Test of control.

2. Which of the following procedures could be used by the Auditor to verify valuation of non-current assets.

- A. For a sample of the assets in the fixed asset register, physically inspect them.
- B. For a sample of assets observed in the client premises, trace to the fixed asset register.
- C. Re perform the depreciation calculation.
- D. Vouch the ownership documents such as the deeds, registration documents or lease.

3. Which of the following is not a function of the Audit Committee

- A. To monitor the financial statements.
- B. To provide a whistleblower function in the organization.
- C. To appoint the external auditor.
- D. To review the work of internal audit.

4. An example of a self-review threat is:

- A. An auditor who holds shares in the company which they are auditing.
- B. An auditor who implements an accounting system for an audit client.
- C. An auditor who prepares tax returns for clients other than audit clients.
- D. An auditor who speaks on behalf of a client at a tax investigation.

5. How can the auditor verify that the bad debts written 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. Re-calculate debtor's balance.

6. In order to verify a balance in a computerized environment, the auditor will carry out tests on a sample of the transactions that make up that balance. Which of the following are limitations to use this method to verify a balance.

- A. The auditor does not work in the business so will not understand the transactions that have been tested.
- B. Not all transactions will be traceable in the computer system of the client.
- C. Only a sample of the transactions are tested rather than 100% of them.
- D. Lack of substantive testing.

7. IAS 10 Subsequent Events defines an adjusting event. Which of the following is true of an adjusting event?

- A. An adjusting event is not material to the audit
- B. An adjusting event is an event that happened after the Statement of Financial Position date.
- C. An adjusting event is evidence of conditions that existed before the Statement of Financial Position date.
- D. An adjusting event is an event that happened before publication of Financial Statement.

8. Which of the following procedures should the auditor carry out to assess the going concern assumption

- 1. Analyse management forecasts and interim accounts.
- 2. Examine the re financing needs of the business
- 3. Investigate any litigation and discuss with solicitor.

4. Analyse previous years accounts to assess profitability

A. All of the above

B. 1,2&3

C. 2,3&4

D. 1,3&4

9. Granger Co has just been audited and the auditor has found that management have incorrectly calculated depreciation for the current year. The error is material to the financial statements and the directors have refused to correct the error. What action should the auditor take?

A. The auditor should issue an unmodified audit report with an Emphasis of Matter Paragraph.

B. The auditor should issue a modified audit report with an adverse audit opinion.

C. The auditor should issue a modified audit report with an "except for" paragraph.

D. The auditor should issue a disclaimer of opinion.

10. In the Audit report the auditor gives their opinion on which of the following

i) The truthfulness and fairness of the financial statements prepared by the management.

ii) The internal controls within the organization

iii) The risk management system within the organization.

iv) Whether the financial statements were prepared in accordance with appropriate framework.

A. i) & ii) only

B. All of the above.

C. None of the above

D. i) & iv) only.

**SECTION B [80 marks]**

**ANSWER ALL QUESTIONS**

**QUESTION TWO**

You are conducting the audit of Gava plc for the year ended 30 June 2023. The company is a publishing company. The company maintains a tangible non-current asset (fixed assets register)

The following schedule for tangible non-current assets has been prepared by the client.

**Property, Plant and Equipment**

	<b>Freehold property</b>	<b>Publishing Equipment</b>	<b>Office Equipment</b>	<b>Office Furniture</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
01/07/22 cost brought forward	0	133 236	124 562	101 782	359 580
Additions	823 500	112 55	22 209	6 344	964 588
Disposals	0	(99 429)	(13 664)	(1 103)	(114 196)
30/06/23	823 500	146 342	133 107	107 023	1 209 972

**Notes**

- i) Additions to freehold property consists of a new head office and car park.
- ii) Additions and disposals to publishing equipment comprise two digital printers and four photocopies respectively.
- iii) The company purchased one server computer and disposed of one server computer during the period.
- iv) Additions and disposals to office furniture comprise miscellaneous items bought, sold and scrapped.

**REQUIRED**

- a) Management assertions are classified into two (2) categories briefly explain these categories giving example of each. **(5 marks)**
- b) Explain management assertions that the auditor needs to consider in the valuation of Property, Plant and Equipment. **(10 marks)**
- c) Identify and describe TEN audit procedures that might reasonably be applied by an Auditor in respect of the tangible non-current assets figures to be shown in the statement of financial position of Gava plc for the year ended 30 June 2023. You are not required to

consider Income statement audit work. For each procedure mentioned, where appropriate, you should identify the associated audit objective(s). As such present your answer in a table format.

**(15 marks)**

**(Total 30 marks)**

### **QUESTION THREE**

Your firm is the auditor of a long-standing client, Murima Wholesalers Co, and you were tasked to carry out audit checks on cut off and verifying inventory quantities at the year end.

Murima maintains details of inventory quantities on its computer. These inventory quantities are updated from goods received notes and sales invoices. The company carries out inventory counts each month when all the fast moving and high value inventory is counted and a third of the remaining inventory is counted in rotation so that all items are counted at least four times a year.

You attend the inventory count on 14 July 2023 and a further inventory count was carried out on 18 August 2023. The company's year end was 31 July 2023 and the inventory quantities at that date as shown by the computer had been used in the valuation of the inventory. No inventory was counted at the year end.

#### **REQUIRED**

a) List the purposes of audit working papers

**(5 marks)**

b) List the documentation that should be of assistance to you in familiarising yourself with Murima Co and describe the information you should expect to obtain from each document.

**(10 marks)**

c) List and describe the principal matters you should have checked and the matters you should have recorded when you attended the company's inventory count on 14 July 2023.

**(10 marks)**

**(Total 25 marks)**

### **QUESTION FOUR**

The scope of the International standards on Auditing 200 Overall objectives of the Independent Auditor and the conduct of an Audit in Accordance with International Standards on Auditing deals with the independent auditors' overall responsibilities when

conducting an audit of financial statements in accordance with ISAs. It outlines the overall objectives of the independent auditor and explains the nature and scope of an audit designed to enable the independent auditor to meet those objectives.

Nonetheless, while the auditor may find aspects of the ISAs helpful in carrying out an audit, it is the responsibility of the auditor to ensure compliance with all relevant legal, regulatory or professional obligations.

**REQUIRED**

a) State and define six IFACs ethical principles governing the auditors' professional responsibilities. (12 marks)

b) Critically discuss issues of professional judgement that an auditor ought to have in order to exercise the proper conduct of an audit.

(13 marks)

(Total 25 marks)

**END OF EXAMINATION QUESTION PAPER**

0/14 (pm)