



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 : CAC222  
COURSE TITLE : AUDIT PROCESS  
SPECIAL REQUIREMENTS : NONE  
DURATION : 3 Hours  
LEVEL : 4.1  
DATE : 12 JUN 2025

**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 Section A and **any 4** questions 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. An attitude that includes a questioning mind and a critical assessment of audit evidence is referred to as:
  - A. Due professional care.
  - B. Professional skepticism.
  - C. Reasonable assurance.
  - D. Supervision.
2. Which of the following elements underlies the application of generally accepted auditing standards, particularly the standards of fieldwork and reporting?
  - A. Internal control.
  - B. Corroborating evidence.
  - C. Quality control.
  - D. Materiality and relative risk.
3. In designing written audit programs, an auditor should establish specific audit objectives that relate primarily to the:
  - A. Timing of audit procedures.
  - B. Cost-benefit of gathering evidence.
  - C. Selected audit techniques.
  - D. Financial statement assertions.
4. Which of the following statements is correct concerning an auditor's responsibilities in regard to the financial statements?
  - A. Making suggestions that are adopted about the form and content of an entity's financial statements impairs an auditor's independence.
  - B. An auditor may draft an entity's financial statements based on information from management's accounting system.
  - C. The fair presentation of audited financial statements in conformity with GAAP is an implicit part of the auditor's responsibilities.

D. An auditor's responsibilities for audited financial statements are not confined to the expression of the auditor's opinion.

5. \_\_\_\_\_ is a systematic examination of the books and records of a business.
- A. Auditing
  - B. Vouching.
  - C. Verification.
  - D. Checking.
6. Which of the following are not objectives of auditing?
- A. Ascertain the profit and preparation of P/L Account, Balance sheet.
  - B. Detection and prevention of frauds and errors.
  - C. Give a true and fair view of financial amount.
  - D. To submit the accounts to Government.
7. Which of the following is not a kind of audit?
- A. Statutory and private audit.
  - B. Government and continuous audit.
  - C. Continuous, final, Interim, Cash, Cost and Management audit.
  - D. None of these.
8. An audit which is compulsory by the law \_\_\_\_.
- A. Government audit.
  - B. Internal audit.
  - C. Cost audit.
  - D. Statutory audit.
9. Instruction of audit issued by controller and auditor general \_\_\_\_\_.
- A. Statutory audit.
  - B. Final audit.
  - C. Management audit.
  - D. Government audit.
10. Which of the following statements best describes an auditor's responsibility to detect errors and fraud?

- A. An auditor should design an audit to provide reasonable assurance of detecting errors and fraud that are material to the financial statements.
- B. An auditor is responsible to detect material errors, but has no responsibility to detect fraud that is concealed through employee collusion or management override of internal control.
- C. An auditor has no responsibility to detect errors and fraud unless analytical procedures or tests of transactions identify conditions causing a reasonably prudent auditor to suspect that the financial statements were materially misstated.
- D. An auditor has no responsibility to detect errors and fraud because an auditor is not an insurer and an audit does not constitute a guarantee.

**[Total: 20 marks]**

**Section B: Answer any 4 questions in this section.**

**Question 1**

The auditor finds it necessary to rely on audit evidence that is persuasive rather than conclusive and will often seek audit evidence from different sources or of a different nature to support the same assertion. The reliability of audit evidence is not only important in determining sufficiency of the information, but also the appropriateness of the information. Reliability of audit evidence is influenced by different factors.

Required:

- a) Define: reliability of evidence, persuasiveness of evidence, and relevance of evidence. **(6 marks)**
- b) An auditor is expected to obtain relevant and reliable audit evidence sufficient to enable him draw measurable conclusions as a basis for his report.

**Required:**

- i. Discuss the factors, which may influence the auditor's judgment in relation to sufficiency of the evidence so collected. **(5 marks)**
  - ii. Discuss the factors that would enable the auditor assess the reliability of the evidence. **(5 marks)**
- c) The financial statements of Spar supermarket, a new client, indicate that large amounts of notes payable to banks were paid off during the period under audit. The auditor, Ascending ladder Accounting firm, also notices that one customer's account is much larger than the rest, and therefore decides to examine the evidence supporting this account.

**Required:**

Evaluate the reliability of each of the following types of evidence supporting these transactions for: Notes Payable:

- i. A. Debit entries in the Notes Payable account. **(1 mark)**

- ii. Notes payable bearing bank perforation stamp paid and the date of payment. (1 mark)
- iii. Statement by client's treasurer that notes had been paid at maturity. (1 mark)
- iv. Letter received by client from customer acknowledging the correctness of the receivable in the amount shown on client's accounting records. (1 mark)

[Total: 20 marks]

## Question 2

A. read the following scenario and answer the questions underneath

Bata shoe manufacturing company in Zimbabwe, sells 95 percent of its product to companies outside Zimbabwe. They receive orders for shoes by email and 20 percent advance payment of the order price. The sales department makes up a sales order and passes it to the manufacturing Manager who verifies the order with the cashier's office which receives the advance money. If the cashier accepts the order, the Manufacturing Manager then writes a manufacturing order to produce the goods and orders the necessary raw materials for the warehouse.

The shipping officer receives a copy of the sales order and matches it to the goods manufactured and then ships, forwarding the shipping documents to accounting.

Accounting bills the customer after first matching shipping documents to the original sales order. The cashier's office receives the payment from the customer.

### Required:

- a. List 6 questions that you might ask Basic Shoe's personnel about the sales process when auditing it. (6 marks)
- b. Discuss which person you would ask each of the questions and why you would ask them. (6 marks)
- c. What documents would you inspect for each question? (4 marks)

- d. What control procedures do you believe they might add to ensure that customers do not order goods that they cannot pay for? **(4 marks)**

**[Total 20 marks]**

### **Question 3**

As senior Auditor, you are auditing the financial statements of Pick 'n pay, which operates in three countries; South Africa, Botswana and Zimbabwe. In each country the company has a distribution refrigeration warehouse. However, the administration, purchasing and accounting functions are centralised in the company's headquarters in SA.

As part of your audit you will carry out a detailed examination of the supermarket group and its environment, including the company's internal controls. Internal control consists of the following components;

- (i) The control environment;
- (ii) The entity's risk assessment process;
- (iii) The information system, including the related processes relevant to financial reporting and communication;
- (iv) Control activities; and
- (v) Monitoring of controls.

#### **Required:**

- a) Explain why it is important for the Auditor to obtain an understanding of the company and its environment including the company's internal controls. **(6 marks)**
- b) Explain what is meant by the term 'control environment' and identify 3 major factors that will be reflected in the control environment of Pick 'n pay. **(6marks)**
- c) List 4 different control activities. **(4 marks)**
- d) For each control activity identified in your answer to c) above, provide 1 specific illustration of a control you would expect to find in the daily activities of Pick 'n pay. **(4 marks)**

**[Total 20 marks]**

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#### Question 4

- a) Define what is meant by inherent risk. Identify four factors that make for high inherent risk in audits. (6 marks)
- b) State the three categories of factors that affect acceptable audit risk and list the factors that auditor can use to indicate the degree to which each category exists. (6 marks)
- c) Explain why the auditor can be persuaded only with a reasonable level of assurance, rather than convinced that the financial statements are correct. (4 marks)
- d) Explain the importance of analytical procedures as evidence in determining the fair presentation of the financial statements (4 marks)

[Total 20 marks]

#### Question 5

- a) Based on the standard Audit Process Model, trace the procedures an auditor would use to audit a retail clothing business (continuing client) from the initial client contact to the audit opinion. (12 marks)
- b) Elaborate your understanding of a walkthrough of internal control. (8 marks)

**END OF EXAMINATION QUESTION PAPER**