



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

MAC 405 – ADVANCED AUDITING

END OF SECOND SEMESTER EXAMINATIONS

APRIL/ MAY 2019

Mr. I Ndongwe

DURATION: 3 (Three) HRS

INSTRUCTIONS

ANSWER any **Five** questions

Answers are to be presented clearly and neatly.

Answer each question on a new page.

QUESTION ONE

- a. An auditor should develop and document an overall audit plan describing the expected scope and conduct of the audit. Describe the matters to be considered by an auditor in developing the overall audit plan. (10 marks)
- b. Describe why it is important to the auditor that there should be a good system of internal control in operation. (10 marks)

QUESTION TWO

- a. Explain each of the five fundamental principles of International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code). (10 marks)
- b. Identify and explain the four requirements an auditor needs to satisfy during the conduct of an audit of financial statements in compliance with IAS 200. (10 marks)

QUESTION THREE

- a. Explain the following terms:
 - i. Reasonable assurance (3 marks)
 - ii. Audit risk (4 marks)
 - iii. Assertions (3 marks)
- b. Discuss the King III report provisions on the audit Committee and internal audit. (10 marks)

QUESTION FOUR

- a. Describe FIVE types of procedures for obtaining audit evidence. (10 marks)
- b. For each type of procedure, describe an example relevant to the audit of BANK balances. (10 marks)

QUESTION FIVE

Your firm has been invited by Mr Takunda, managing director and majority shareholder of Carling Ltd, to accept appointment as auditor of the company. The present firm of auditors will not be reappointed when its term of office expires as Mr Takunda is dissatisfied with its services.

In addition Mr Takunda has requested that:

- i. An employee of your firm assumes responsibility for preparing the monthly management accounts to a tight deadline. The continuation of the overdraft facility is dependent on receipt of these accounts within ten days of each month end; and
- ii. the audit partner attends the monthly board meetings, mainly to explain the management accounts to the other directors.

Required:

- a. Describe the matters that you would consider in deciding whether or not to accept appointment as auditor and provide the additional services requested. (10 marks)
- b. List the actions you would take before reaching a decision whether or not you should undertake any assignments for Carling. (5 marks)
- c. Assuming that there are no professional reasons why the audit appointment should not be accepted, reach a conclusion on whether or not you should provide the additional services requested. (5 marks)

QUESTION SIX

- a. Distinguish between the “overall audit strategy” and “audit plan” (10 marks)
- b. Discuss the advantages and disadvantages of using standardised audit programmes. (10 marks)

QUESTION SEVEN

- a.** Define the following terms:
 - i.** audit risk
 - ii.** inherent risk
 - iii.** control risk
 - iv.** detection risk. (8 marks)
- b.** Explain the factors which affect inherent risk in an audit. (6 marks)
- c.** Describe the work you will carry out to quantify the control risk in a purchases system. (6 marks)

END OF PAPER