



COLLEGE OF BUSINESS, PEACE, LEADERSHIP, AND GOVERNANCE

NMAC 408: ADVANCED AUDITING, THEORY AND PRACTICE

END OF SECOND SEMESTER EXAMINATION

APRIL 2023

DR DUMISANI RUMBIDZAI MUZIRA

DURATION: 3 HOURS

INSTRUCTIONS

You are required to answer questions as instructed

Answer **all** questions

Start **each** question on a new page in your answer booklet

Credit will be awarded for logical, systematic and neat presentations

QUESTION 1

Identify the main risks of misstatement related to accounting for purchases and payables and describe relevant tests of controls. (25 marks)

QUESTION 2

An entity has borrowings of \$15m which became immediately repayable in full on 31 March 2023. The entity has exceeded its overdraft limit and is failing to meet the interest charges. It is proving to be difficult for this entity to get financing from other sources. It is highly unlikely that the entity will be successful in renewing or re-financing the \$15m borrowings and, in such an event, the business will be forced to windup and to sell its assets to meet its obligations. The directors are worried about the entity's credit rating and have advised the accountant to prepare the financial statements for the year ended 31 March 2023 on a going concern basis.

Required

Guided by ISA 570- Going concern, formulate the auditor's opinion for this entity.

(25 marks)

QUESTION 3

On your audit assignment as the team leader, you have some University students on attachment with you. Explain to them the five ways auditors use to generate evidence. (25 marks)

QUESTION 4

The board of directors of your company wants to do away with the internal audit department. They consider it to be a waste of resources as the company always hires external auditors at its year-end. With reference to ISA 610- *Using the work of internal auditors*, advise the board on the decision to make. (25 marks)

END OF EXAMINATION