



A F R I C A

UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 408: ADVANCED AUDIT THEORY AND PRACTICE

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER 2025

LECTURER: R CHIHOWA

TIME: 3 HOURS

INSTRUCTIONS

1. This paper contains **four** questions.
2. Answer **All** questions.
3. Start each question on a new page.

Question 1 (25 Possible marks)

You are auditing ZimBank Ltd, a publicly listed bank in Zimbabwe that has recently faced allegations of mismanagement. Stakeholders have expressed concerns about the transparency of the bank's financial practices, especially after an internal report highlighted conflicts of interest involving Board Members.

Required

- a) **Define corporate governance and discuss the role of corporate governance in enhancing audit quality (10 Marks)**
- b) **Discuss the specific ethical considerations that you would assess in your audit, referencing the IESBA Framework? (8 Marks)**
- c) **How would these affect your audit approach? (7 Marks)**

Question 2 (25 Possible marks)

While auditing **Retail Mart Zimbabwe**, a large retail chain, you discover that the financial statements show a 25% increase in sales compared to the previous year. However, an internal whistle-blower reports that several sales transactions have been recorded without corresponding supporting documents.

Required

- a) **Differentiate between the terms Fraud and Error (2 Marks)**
- b) **Explain the relevance of ISA 240. (The Auditor's Responsibilities Relating to Fraud) to address these concerns. (4 Marks)**
- c) **Discuss the auditor's responsibilities regarding fraud detection and prevention. (4 Marks)**
- d) **Outline specific steps you would take to investigate these discrepancies and enhance your audit procedures (7 Marks)**
- e) **Explain specific testing you might conduct. (8 Marks)**

Question 3 (25 Possible marks)

You are in the planning phase for the audit of **ZimMining Co.**, a mining company that has recently acquired several new mineral rights and expanded its operations in the Midlands region. ZimMining Co. has the following financial figures for the year ending December 31, 2023:

- Total Revenue: \$5,000,000
- Total Assets: \$15,000,000
- Profit Before Tax: \$1,000,000

Given the volatility of mineral prices and the economic challenges in Zimbabwe, determining materiality is crucial.

Required

- a) Evaluate how you would apply ISA 300 (Planning of an Audit) and ISA 320 (Materiality in Planning and Performing an Audit) to this audit. (10 Marks)
- b) Calculate materiality thresholds and determine overall materiality. (8 Marks)
- c) Discuss the factors you would consider in determining materiality thresholds, given the company's expansion and the current economic climate. (7 Marks)

Question 4 (25 Possible marks)

You are conducting the audit of ZimAgro Ltd, an agricultural company. During your audit, you find the following issues:

1. The company has recently acquired new machinery and claims that these assets have increased in value due to enhancements and improvements made. You need to gather sufficient appropriate audit evidence regarding the valuation of these assets under IAS 16 (Property, Plant and Equipment).
2. After reviewing the financial statements, you discover several material misstatements related to revenue recognition under IFRS 15 (Revenue from Contracts with Customers), where the company has recognized revenue from contracts that have not been fully executed.
 - a) Discuss the procedures you could implement to gather appropriate evidence regarding the valuation of these assets. (5 Marks)
 - b) Explain how you would apply IFRS 15 in assessing the material misstatements related to revenue recognition in your audit report. (10 Marks)
 - c) Discuss whether you would need to modify your opinion under ISA 705 (Modifications to the Opinion in the Independent Auditor's Report) based on these misstatements. Provide reasons for your decision. (5 Marks)
 - d) Describe how you would communicate any modification to stakeholders. (5 Marks)

END OF EXAMINATION
