CPA PART II SECTION 4
AUDITING AND ASSURANCE

THURSDAY: 30 November 2017.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE
(a) Auditors carry out various audit assignments.

In relation to the above statement, explain four non-assurance assignments that auditors undertake. (4 marks)

(b) Describe three circumstances in which the management of an organisation might request the auditor to change the terms of an audit engagement. (6 marks)

(c) Kisomo Kizuri is a charity organisation that raises funds for educational projects. Charities in the country from which Kisomo Kizuri operates have recently become subject to new audit and accounting regulations.

Your firm has been appointed as Kisomo Kizuri’s new auditors.

Required:
Analyse five audit tests you might carry out on the income and expenditure from fund raising events. (10 marks)

(Total: 20 marks)

QUESTION TWO
(a) Explain the following terms as used in contemporary audit:

(i) Environmental audit. (2 marks)

(ii) Corporate governance. (2 marks)

(iii) Enterprise risk management (ERM). (2 marks)

(b) Citing a relevant example in each case, explain the following control procedures:

(i) Segregation of duties. (3 marks)

(ii) Authorisation and approval. (3 marks)

(iii) Physical controls. (3 marks)

(c) Analyse five circumstances that might lead to qualification of financial statements. (5 marks)

(Total: 20 marks)

QUESTION THREE
(a) Explain six benefits an auditor might derive from using computerised audit software. (6 marks)

(b) Citing a relevant example in each case, distinguish between “adjusting events” and “non-adjusting events”. (6 marks)

(c) International Standard on Auditing (ISA) 620 “Using the work of an expert” contains guidance to an auditor on using the work of an expert to provide knowledge relevant to the audit which the audit firm does not possess.

Evaluate four procedures that an audit firm might apply before relying on such an expert. (8 marks)

(Total: 20 marks)
(a) Examine six factors that might influence inherent risk at the organisational level. (6 marks)

(b) Discuss the importance of the following provisions of professional ethics:
   (i) Audit fees. (2 marks)
   (ii) Conflict of interest. (2 marks)
   (iii) Due care and skill. (2 marks)

(c) You are the audit manager in charge of the audit of Lenga Ltd. You have come across the following matters which you consider to be material. Explain how you would report each matter in the audit report:
   (i) A major customer owing the company a substantial amount, has filed for bankruptcy. No provision for this has been made in the financial statements. (2 marks)
   (ii) Some of the company’s inventory is of a special nature. The expert you were relying on to value them might not be available to carry out the valuation in time for issuance of an audit report. You have to rely on management representation. (2 marks)
   (iii) A major supplier has gone out of business and there is no immediate alternative for the raw material in question. (2 marks)
   (iv) After the financial year end, a major fire broke out destroying machinery that had been purchased at the end of the year. (2 marks)

   (Total: 20 marks)

QUESTION FIVE

(a) Highlight six reasons why an auditor might need to understand the entity and its environment before undertaking an audit assignment. (6 marks)

(b) Explain the following terms:
   (i) Reasonable assurance. (2 marks)
   (ii) Opinion shopping. (2 marks)

(c) Discuss five stages that might be followed in carrying out a forensic audit. (10 marks)

   (Total: 20 marks)
KASNEB
CPA PART II SECTION 4
AUDITING AND ASSURANCE


Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE
(a) Discuss five disclosure requirements that should be made in an audit report as specified in the Companies Act. (10 marks)

(b) Your firm has been appointed as the auditor of Fanaka Limited for the year ended 31 December 2016. Explain why each of the following matters which you have noted during the audit should or should not be included in the letter to the management and those charged with governance:

(i) The company upgraded the accounting system which upon testing you noted that the system did not carry over all the balances accurately. The differences in credit and debit balances considered separately were material to the financial statements but when offset against each other, they were immaterial. (2 marks)

(ii) The new accounting system had a functionality that allows online approval of transactions by the various signatories but it had not been activated. The signatories continued to approve transactions manually and all the transactions sampled were duly approved. (2 marks)

(iii) The company supplying stationery to Fanaka Limited was owned by the wife of the procurement manager. However, you confirmed that the appropriate procurement procedures were followed. (2 marks)

(iv) The bank reconciliations were required to be signed by the preparer (Financial Accountant) and approved by the finance manager. You noted that 6 out of the 12 bank reconciliation statements were not signed by the Financial Accountant but had been approved by the Finance Manager. However, you confirmed that the reconciliation statements were accurate. (2 marks)

(v) The company was involved in a restructuring exercise that resulted in the discharge of 25% of the staff. You got to learn that the affected staff had filed a suit in court to challenge their dismissal but the matter had not been heard. However, the management was keen to have the suit heard in order for them to present the issue for reporting in the next financial year when it would be possible to establish if there was a reputable contingent liability. (2 marks)

(Total: 20 marks)

QUESTION TWO
(a) Describe five roles you would expect the internal audit staff to perform. (10 marks)

(b) Discuss four capabilities and competencies expected of the engagement team as espoused in the International Standards of Auditing (ISA) 220 “Quality Control for Audit of Financial Statements”. (8 marks)

(c) Outline two benefits of the auditor communicating with those charged with governance. (2 marks)

(Total: 20 marks)

QUESTION THREE
(a) Explain the following terms as used in auditing:

(i) Emphasis of matter paragraph. (2 marks)

(ii) Contingent liability. (2 marks)

(iii) Audit committee. (2 marks)

(iv) Assurance engagement risk. (2 marks)
(b) Your audit firm was recently appointed the auditor of Baraka Ltd. The company has a subsidiary based in Mombasa and its auditor had retired the previous year.

Required:
(i) Enumerate six factors that would influence you in determining whether or not to send a separate engagement letter to the subsidiary. (6 marks)
(ii) If the audit of Baraka Ltd. was a recurring audit, suggest six factors that would make it appropriate for you to send a new engagement letter. (6 marks)

(Total: 20 marks)

QUESTION FOUR
(a) Explain three factors to consider while designing an effective system of internal control. (6 marks)
(b) In the context of auditing, define the following:
   (i) Operational audit. (2 marks)
   (ii) Financial audit. (2 marks)
   (iii) Agreed upon procedures engagement. (2 marks)
   (iv) Positive assurance. (2 marks)
(c) Discuss three responsibilities of the external auditor in relation to prevention and detection of fraud. (6 marks)

(Total: 20 marks)

QUESTION FIVE
(a) State the opinions you would give in each of the following situations:
   (i) The books of the client were taken away by the regulator for investigations and were not available for audit. (2 marks)
   (ii) The provision for doubtful debts was not adequate. The debtors in the financial statements were misstated but the financial statements gave a true and fair view. (2 marks)
   (iii) There was no provision for depreciation and the directors were unwilling to provide for any amounts during the financial year. The amount if provided for would reduce the reported profit by 30%. (2 marks)
   (iv) There was a legal suit filed by a customer who was unsatisfied with the goods supplied but no provisions were made in the books. The assessment of the case by the company lawyers indicate that the customer has very slim chances of success. (2 marks)
(b) Discuss four factors that might influence the extent of substantive tests carried out during an audit. (8 marks)
(c) Highlight four substantive procedures you would perform on the year end trade payables. (4 marks)

(Total: 20 marks)
KASNEB
CPA PART II SECTION 4
AUDITING AND ASSURANCE

THURSDAY: 24 November 2016.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE
(a) In the context of International Standards of Auditing (ISA) 210 “Agreeing the Terms of Audit Engagements”, discuss six steps the auditor should undertake to establish whether the pre-conditions for an audit were present. (12 marks)
(b) In the context of International Standards of Supreme Audit Institutions (ISSAI) 100 “Fundamental Principles of Public Sector Auditing”, discuss four principles relating to planning an audit. (8 marks)
(Total: 20 marks)

QUESTION TWO
(a) You have been appointed the lead auditor in charge of the audit of Sky Computer Limited. The financial year ended on 31 January 2016 and the audit was concluded on 1 March 2016. The audit report was signed on 15 May 2016 and the financial statements issued on 20 June 2016. The following material events occurred between the balance sheet date and 30 June 2016:

1. 25 February 2016 - A sudden flood resulted in damage of an uninsured equipment worth Sh.12 million.
2. 1 May 2016 - A customer owing Sh.4 million was declared bankrupt and no recovery of the amount was expected.
3. 15 June 2016 - The company lost a law suit amounting to Sh.6 million which was filed in 2013 by a customer due to a defective computer software.
4. 25 June 2016 - The Board of directors approved the closure of a division that had been making losses consistently for the last four years.

Required:
Explain the appropriate treatment of each of the above events. (8 marks)
(b) Describe four audit procedures necessary to aid in obtaining evidence relating to subsequent events. (8 marks)
(c) Explain the responsibility of an auditor with regard to events occurring between the date the financial statements are signed and the annual general meeting. (4 marks)
(Total: 20 marks)

QUESTION THREE
(a) Examine five possible frauds in the area of purchases that an Internal Control System should be designed to prevent and detect. (10 marks)
(b) Discuss five input validity checks you would expect to find in a computerised financial system. (10 marks)
(Total: 20 marks)

QUESTION FOUR
(a) Explain four factors which might influence an auditor while assessing the reliability of evidence gathered during an audit. (8 marks)
(b) For financial reporting purposes, the entity’s risk assessment process includes how management identifies business risks relevant to the preparation of financial statements in accordance with the applicable financial reporting framework.

Required:
Discuss six circumstances in which risks in an entity might arise or change. (12 marks)
(Total: 20 marks)

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Out of 2
QUESTION FIVE
(a) Describe four types of assurance engagements. (8 marks)
(b) Summarise four substantive procedures that you would perform in respect of bank overdraft. (8 marks)
(c) Highlight four matters that an auditor is likely to include in a management letter. (4 marks) (Total: 20 marks)
KASNEB  
CPA PART II SECTION 4  
AUDITING AND ASSURANCE  

THURSDAY: 26 May 2016.  
Time Allowed: 3 hours.  

Answer ALL questions. Marks allocated to each question are shown at the end of the question.  

QUESTION ONE  
(a) In the context of International Standards of Supreme Auditing Institutions 3100, "Performance Audit Guidelines - Key Principles":  
   (i) Define the term "performance auditing".  
   (2 marks)  
   (ii) Discuss the three approaches that might be taken in examining the performance of the audited entity.  
   (6 marks)  
(b) During the audit of Bamboo Ltd., you suspect that there might have been some irregularities in the procurement department based on the discussions you had with some of the staff members.  
   Required:  
   Explain six audit steps you would undertake to help you in arriving at an appropriate audit opinion.  
   (12 marks)  
   (Total: 20 marks)  

QUESTION TWO  
(a) Highlight two limitations of external audits.  
   (2 marks)  
(b) Describe the type of assurance report a practitioner would issue in each of the following engagements:  
   (i) Reasonable assurance engagement.  
   (2 marks)  
   (ii) Limited assurance engagement.  
   (2 marks)  
(c) Describe four types of audit opinions that an auditor could issue.  
   (8 marks)  
(d) In the context of International Standard on Auditing (ISA) 260 - "Communicating with those charged with governance", describe three matters that the auditor should communicate to those charged with governance in relation to auditor independence.  
   (6 marks)  
   (Total: 20 marks)  

QUESTION THREE  
(a) (i) Define the term "sampling risk".  
   (2 marks)  
   (ii) Discuss two types of errors that could arise from sampling risk.  
   (4 marks)  
(b) Describe the impact of each of the following situations on the sample size:  
   (i) An increase in the extent to which the auditor's risk assessment takes into account relevant controls.  
   (2 marks)  
   (ii) An increase in the use of other substantive procedures directed at the same assertion.  
   (2 marks)  
   (iii) An increase in the auditor's assessment of the risk of material misstatement.  
   (2 marks)  
(c) Explain four purposes of an audit program.  
   (8 marks)  
   (Total: 20 marks)  

CA41 Page 1  
Out of 2
QUESTION FOUR
(a) Describe the following Computer Assisted Audit Techniques (CAATs):

(i) Embedded audit facilities. (2 marks)

(ii) Integrated test facilities. (2 marks)

(b) List four audit procedures that could be carried out using computer assisted audit techniques. (4 marks)

(c) Shujaa Ltd. is in the process of implementing a computer based accounting system. As their auditor, you have been requested to advise on the appropriate controls to be implemented to prevent unauthorised changes to the data files.

Required:
Suggest six controls that the management of Shujaa Ltd. should consider. (12 marks)
(Total: 20 marks)

QUESTION FIVE
(a) In the context of International Standards on Auditing (ISA) 560 - “Subsequent Events”:

(i) Define the term “subsequent event”. (2 marks)

(ii) Discuss two objectives of the auditor in relation to subsequent events. (4 marks)

(b) Explain four ways in which the auditor might minimise risk during a particular audit. (8 marks)

(c) You have been appointed the auditor of Fadhili Ltd. and as part of the audit, you have requested management to provide you with a letter of representation.

Required:
Discuss three matters you would expect to find in the letter in relation to management’s responsibilities. (6 marks)
(Total: 20 marks)
KAINEB

CPA PART II SECTION 4
AUDITING AND ASSURANCE

THURSDAY: 26 November 2015

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

(a) (i) Define the term “forensic accounting”.
(ii) Explain a situation in which forensic accounting might be applied.

(b) Discuss the three E’s of value for money auditing as used in public sector auditing.

(c) In the context of International Standard on Auditing (ISA) 220-Quality Control for an Audit of Financial Statements, discuss the quality control procedures the engagement partner might consider in each of the following:

(i) Client acceptance.
(ii) Engagement team.
(iii) Direction.

(1 mark) (1 mark) (6 marks) (Total: 20 marks)

QUESTION TWO

(a) Explain four assertions relevant to accounts payable at year end.

(b) You are the auditor responsible for the audit of Yummy Foods Ltd., a company that operates a chain of fast food outlets. It has come to your attention that a customer has sued the company claiming an amount of ten million shillings for food poisoning. The amount is material, but management believes there is good defence against the claim and that no provision or disclosure has been made in the books.

Required:
(i) Evaluate five items of evidence that might enable you to form a conclusion on the likelihood of the claim being successful.
(ii) Describe how the matter could be reported in the financial statements if your conclusion is that there is a possibility, but not a probability that the claim would be successful.

(8 marks) (10 marks) (Total: 20 marks)

QUESTION THREE

(a) (i) Explain the meaning of the term “going concern”.
(ii) State eight factors that might indicate doubt in the ability of an entity to continue as a going concern.

(b) Discuss five factors that could influence the extent to which an auditor might use analytical review to collect audit evidence.

(2 marks) (8 marks) (10 marks) (Total: 20 marks)

QUESTION FOUR

(a) In the context of International Standard on Auditing (ISA) 315-Identifying and Assessing the Risk of Material Misstatement through Understanding the Entity and its Environment, describe five components of an entity’s internal control system.

(b) Explain the following terms as used in auditing:

(i) Audit risk.
(ii) Inherent risk.
(iii) Control risk.
(iv) Attest engagement.
(v) Direct reporting engagement.

(10 marks) (2 marks) (2 marks) (2 marks) (2 marks) (Total: 20 marks)
QUESTION FIVE

(a) Your audit firm was recently appointed the auditor of ABC Ltd. for the first time. ABC Ltd. requires that the audit be concluded within two months after the end of the financial year.

Describe the steps your audit firm would take prior to accepting this appointment. (10 marks)

(b) During the audit of Faida Ltd., you noticed the following:

1. There were material deposits in the bank just before the year end and subsequent withdrawals thereafter.
2. Many debtors disputed the amount alleged by management after circularisation. There were also inconsistencies between the dates when the debtors made their payments and the dates when the records were updated, noting that all the payments were in cash.

Required:

(i) Explain the impact of each of the two aspects above. (2 marks)

(ii) Examine four audit procedures that could help you in arriving at an audit opinion in each of the two aspects above. (8 marks)

(Total: 20 marks)
KASNEB
CPA PART II SECTION 4
AUDITING AND ASSURANCE
PILOT PAPER

September 2015.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE
You are an audit manager in Ujima & Co. One of the your audit clients, Shangilia Africa Ltd. is a specialist supplier of African literature books with over 120,000 customers. The company owns one large warehouse which holds about 1 million books of up to 80,000 different titles. Customers place orders for books either over the internet or by mail order. Books are dispatched on the day of receipt of the order.

Returns are allowed up to 30 days from the dispatch date provided the books look neat and unread.

Due to high inventory turnover, Shangilia Africa Ltd. maintains a perpetual inventory system using standard purchased software. Ujima Co. has audited the system for the last five years and has found no error within the software.

Continuous inventory checking is carried out by Shangilia Africa Ltd.'s internal audit department.

You are currently reviewing the continuous inventory checking system with an audit junior. The audit junior needs experience in auditing continuous inventory checking systems and some basic knowledge on the code of ethics for professional accountants.

Required:
(a) Explain four advantages of using a perpetual inventory system. (4 marks)
(b) Summarise the audit procedures you would perform to confirm the accuracy of the continuous inventory checking at Shangilia Africa Ltd. Justify each of the procedures. (7 marks)
(c) Explain five fundamental principles set out in the Code of Ethics for professional accountants. (5 marks)
(d) During preliminary audit planning you note that the engagement letter has been returned unsigned by the directors of Shangilia Africa Ltd. When asked to explain their action, the directors indicate that they cannot allow you access to information on the company's new website development as this contains various trade secrets. You would not, therefore, be able to perform audit procedures on the research and development expenditure incurred on the website and included in non-current assets.

Briefly explain four actions you would take as a result of directors not signing the engagement letter. (4 marks)

(Total: 20 marks)

QUESTION TWO
(a) Outline the meaning of the following terms:
   (i) Audit risk. (1 mark)
   (ii) Inherent risk. (1 mark)
   (iii) Control risk. (1 mark)
   (iv) Detection risk. (1 mark)

(b) My-family Car Hire Limited has a large fleet of cars for hire. The firm operates from twelve separate depots providing national car hire services around the country. It offers car hire services to corporate customers on credit payment terms, including payment by cash.
In addition to the car hire revenue, the company categorises income from the sales of excess damage waiver insurance premiums, the hire of child seats and satellite navigation systems as car hire income.

Required:
Explain three factors that would contribute to the assessment of high inherent risks applying to car hire income as reported in the financial statements of My-family Car Hire Limited. (6 marks)

(c) (i) A Junior colleague working at your firm is uncertain as to why on every audit all of the work carried out by the audit team is regularly reviewed by the audit manager.

Required:
Explain the purpose of the review carried out by the audit manager. (5 marks)

(ii) List two examples of subsequent events that may provide confirming evidence when auditing the financial statements of a large manufacturing company. (2 marks)

(iii) State the auditor's responsibility for reporting on the going concern assumptions of a company. (3 marks)

(Total: 20 marks)

QUESTION THREE

(a) Smiling Windows Co. (SW) is a window cleaning company. Customers windows are cleaned monthly. The window cleaner then posts a stamped addressed envelope for payment through the customer's front door.

SW has a large number of receivables balances. These customers pay by cheque or cash which is received in the stamped addressed envelopes through the post. The following procedures are applied to the cash received cycle:

1. A junior clerk from the accounts department opens the posts and if any cheques or cash have been sent, she records the receipts in the cash received log and then places all the monies into the locked small cash box.
2. The content of the cash box are counted each day and every few days these sums are banked by whichever member of the finance team is available.
3. The cashier records the details of the cash received log into the cash received day books and also updates the sales ledger.
4. Usually on a monthly basis the cashier performs bank reconciliation which he then files. If he misses a month then he catches this up in the following months' reconciliation.

Required:
(i) Explain three deficiencies in the system. (3 marks)

(ii) Suggest controls to address each of these deficiencies. (3 marks)

(b) Describe the steps an audit firm should perform prior to accepting a new audit engagement. (5 marks)

(c) Explain the term "International Standards on Auditing". (4 marks)

(d) Outline how an audit committee may be of assistance in the relationship between the internal auditor and external auditor. (5 marks)

(Total: 20 marks)

QUESTION FOUR

(a) XYZ Ltd.'s directors have expressed an interest in your audit firm Tato & Co. to perform other review engagements in addition to the external audit. However, they are unsure how much assurance would be gained via these engagements and how these differ compared to the assurance provided by an external audit.

Required:
Identify and explain the level of assurance provided by an external audit and other review engagements. (4 marks)

(b) Discuss the legal responsibilities of an auditor to shareholders and third parties during the course of their normal professional engagement and the mitigation measures that auditors may institute. (8 marks)
(c) Knowledge of the business is crucial in determining the most effective and efficient audit strategy of an entity using the internet for electronic commerce. Any auditor needs to have an indepth understanding of the related risks and the measures to minimise them.

Required:
Discuss the impact of e-commerce on the audit process.  
(Total: 20 marks)

**QUESTION FIVE**

Fitness Ltd. (fitness) is a client of your firm and runs both fitness and leisure centres all over your country. You are the audit senior on assignment and the audit field work for the year ended 31 December 2015 has just been completed. The following figures have been extracted from the draft financial statements:

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sh.‘000’</td>
<td>Sh.‘000'</td>
</tr>
<tr>
<td>Revenue</td>
<td>5,000</td>
<td>5,300</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>300</td>
<td>320</td>
</tr>
<tr>
<td>Taxation</td>
<td>(96)</td>
<td>(102)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>204</td>
<td>213</td>
</tr>
</tbody>
</table>

1. Fitness received fees from customers in November 2014 as they ran a special gym offer for the four months period from 1 November 2014 to 28 February 2015. The fees collected amounted to Sh.20,000 and the full amount had been recorded in revenue for the year ended 31 December 2014.

2. One of the directors is unwilling to disclose her interests in the shares of the company and currently this amount is not shown in the draft financial statements. The director holds 400 ordinary shares of the 200,000 issued ordinary shares of the company.

3. During the audit test of control performed on the revenue cycle, it was noted that the monthly prepared bank reconciliation had not been reviewed on a consistent basis by management.

Required:
(a) Set an appropriate materialist level for fitness, showing your calculation.  
(b) Outline the testing you should perform on the revenue figure which arises from the gym membership fees. 
(c) Draft a memorandum to the audit partner in which you evaluate the potential implications for the audit report of fitness for the year ended 31 December 2014 arising from each of the three issues (1) to (3) described above.

(Total: 20 marks)
QUESTION ONE

a) Outline four contents of a letter of representation (4 marks)
b) Explain six circumstances where the manager might be reluctant to sign the letter of representation (6 marks)
c) Describe ten preventive and detective measures that might be implemented to avoid possible irregularities and fraud in the areas of purchases and creditors (10 marks)

(Total: 20 marks)

QUESTION TWO

a) Explain six problems an auditor might encounter when auditing a computerized accounting system (6 marks)
b) Highlight six steps that an auditor should take to counteract the problems identified in (a) above (6 marks)
c) Discuss four system security controls which must be instituted by management in a computerized environment (8 marks)

(Total: 20 marks)

QUESTION THREE

a) Define the following terms as used in audit sampling:
   i. Multi-stage sampling (2 marks)
   ii. Random systematic sampling (2 marks)
   iii. Haphazard sampling (2 marks)
   iv. Test-checking (2 marks)
   v. Anomalous error (2 marks)
b) Explain five inherent limitations of an internal control system (10 marks)

(Total: 20 marks)

QUESTION FOUR

a) In relation to enterprise risk management, explain the following:
   i. Four roles of risk management committee (4 marks)
   ii. Three factors necessary for the effective implementation of an enterprise risk management programme (6 marks)
b) Outline four factors that are considered when determining the professional fees in an audit (4 marks)
c) Citing relevant examples, explain three ways in which the following threats might impact an auditor's objectivity:
   i. Familiarity threat (3 marks)
   ii. Self review threat (3 marks)

(Total: 20 marks)
QUESTION FIVE

a) The engagement partner performs an overall review of the audit work before the draft report is prepared and discussed with the client:

Required:
Discuss five matters that should be considered by the engagement partner during such review
(10 marks)

b) Natalie Wahito is the auditor of JR Ltd. She has discovered that she issued an audit report that contained misleading statement regarding the purchase of shares in a company, whose prospectus she reported on.
The audit report will generally be circulated to many people who may rely on it to make important investment decisions

Required:
Advise Natalie Wahito on three steps she should take upon discovering the misleading statement in the audit report
(6 marks)

c) Outline four specific inquiries an auditor should make to those charged with governance to determine whether any subsequent events have occurred that might affect the financial statements
(4 marks)

(Total: 20 marks)

QUESTION SIX

a) An auditor might use an expert to obtain audit evidence as stipulated in ISA 620 (using the work of an Expert)

Required:

i. Identify four circumstances where the auditor might require expert advice
(4 marks)

ii. Highlight four factors that the auditor should consider before relying on the work of an expert
(4 marks)

iii. Outline four issues to consider when choosing an expert
(4 marks)

b) Describe the auditor's responsibility, the audit procedure and actions that should be carried out in respect of subsequent events
(8 marks)

(Total: 20 marks)

QUESTION SEVEN

a) Explain five distinctions between "auditing" and "accounting"
(10 marks)

b) During client acceptance procedures, auditor should consider relevant matters before and after nomination

With reference to the above statement, describe the following:

i. Five matters that should be considered before nomination
(5 marks)

ii. Five matters that should be considered after nomination
(5 marks)

(Total: 20 marks)
QUESTION ONE
a) Outline four qualities of a good audit report (4 marks)
b) Distinguish between "statutory audit" and "private audit" (4 marks)
c) Explain three conditions under which each of the following audits should be conducted:
   i. Continuous audit (6 marks)
   ii. Interim audit (6 marks)

(Total: 20 marks)

QUESTION TWO
a) Describe four audit procedures that an auditor should carry out when events or conditions are identified that could cast significant doubt on the entity's ability to continue as a going concern (8 marks)
b) With reference to International standards on Auditing (ISA) 580 (Written Representations), explain three objectives of the auditor in obtaining written representations (6 marks)
c) Highlight three matters that's an external auditor should communicate to those charged with governance as per International Standard on Auditing (ISA) 260 (Communication with those Charged with Governance) (6 marks)

(Total: 20 marks)

QUESTION THREE
a) External auditors of a company often write to their clients' banks inquiring details about bank balances and matters at the year end.
   With reference to the above statement:
   i. Explain the rationale behind obtaining confirmation from the bank account and not from the client (2 marks)
   ii. Highlight five matters that you would expect the bank to give a confirmation on (8 marks)
b) Verifications of account receivables is essential as they form a large proportion of the assets of most trading companies.
   With reference to the above statement, explain five audit procedures that you would use in the verification of accounts receivable. (10 marks)

(Total: 20 marks)

QUESTION FOUR
a) State two fundamental principles with which the auditor is required to comply with as provided by Part A of the International Ethics Standards Board for Accounts (IESBA) Code (2 marks)
b) According to International Standards on Auditing (ISA) 200 (Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with ISA), describe four decisions in which an independent auditor should apply professional judgment. (8 marks)
c) Explain three conditions under which a retiring auditor, however appointed, shall not be deemed reappointed (6 marks)
d) Identify four persons who are disqualified from appointment as auditors as per the companies act in your country. (4 marks)

(Question Five)

a) Describe four benefits of audit planning (8 marks)
b) Explain four matters that the auditor should take into consideration while establishing the overall audit strategy in an audit plan (8 marks)
c) Highlight four risk management responsibilities of an audit manager (4 marks)

(Total: 20 marks)

(Question Six)

In the context of the use of Computer Assisted Audit Techniques (CAATs)

a) Explain three ways in which CAATs might be used in performing audit procedures (6 marks)
b) Describe three types of computer programs that are commonly used as part of the audit procedures to process data (6 marks)
c) Discuss four factors that an auditor should consider in determining whether to use CAATs (8 marks)

(Total: 20 marks)

(Question Seven)

You have been appointed as the external auditors of Jitegemee Enterprise Ltd. for the year ended 31st March 2014. Jitegemee Enterprise Ltd. has an internal audit department, whose work you have reviewed. You are of the opinion that you can rely on this work.

Required:

a) Explain two conditions that you should fulfill prior to using internal auditors to provide direct assistance for purposes of the audit (4 marks)
b) Highlight three matters that you should include in the audit’s documentation (6 marks)
c) Describe five ways in which the work of the internal auditor might be of help to you as the external auditor of Jitegemee Enterprise Ltd (10 marks)

(Total: 20 marks)