



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II SECOND SEMESTER EXAMINATION

AUDIT PROCESS [BAC2203]

APRIL 2025

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** QUESTIONS
2. Begin your answer to each question on a new page.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.

This paper consists of three (3) printed pages including the cover page

QUESTION 1 [25 MARKS]

a) Define the following terms:

- i. Integrity [2 Marks]
- ii. Objectivity [2 Marks]
- iii. Professional competence and due care [2 Marks]
- iv. Confidentiality [2 Marks]
- v. Professional behaviour [2 Marks]

b) List and describe 5 threats which a Public Auditor faces in trying to comply with the Fundamental principles of the Code of Professional Conduct (CPC). [10 Marks]

c) List any 5 general safeguards which may be implemented by an auditor in trying to reduce threats in b) above to an acceptable level. [5 Marks]

QUESTION 2 [25 MARKS]

The growing recognition by management of the benefits of good internal controls and the complexities of an adequate system of internal controls have led to the development of internal auditing as a form of control over all other internal controls. The emergence of internal auditors as experts in internal control is the result of an evolutionary process similar in many ways to the evolution of external auditing.

Required:

- a) Explain why the internal and independent external auditors' review of internal control procedures differ in purpose. [5 Marks]
- b) Explain the reasons why internal auditors should or should not report their findings on internal controls to the following company officials:
 - (i) The board of directors. [3 Marks]
 - (ii) Audit committee. [3 Marks]
- c) Define sufficiency and appropriateness as they relate to audit evidence. [4 Marks]
- d) It has generally been noticed that the implementation of internal controls in small organisations is not as effective as expected. State and explain any five possible reasons for such implementation weaknesses. [10 Marks]

QUESTION 3 [25 MARKS]

GSU Holdings is a company that makes and sells paper and is listed on the ZSE. GSU has been audited by Super Auditors since its inception 14 years ago. GSU has a year end of 31 December 2024. The audit report is required on 20 January 2025. During the financial year under review GSU gained control of NUST (Pvt) Ltd, a company that leases out printers for a long term. NUST has a 30 September year end. For the 2024 financial year, NUST will be audited by one of the major firms in the country. Directors of GSU receive share options based on net profit.

- a. Define audit risk and the components of audit risk. (5 marks)
- b. Discuss the audit risks at the overall financial statement level of GSU Ltd and its group for the year ended 31 December 2024. (5 marks)
- c. Discuss the risk of material misstatement at the overall financial statement level of GSU Ltd and its group for the year ended 31 December 2024. (5 marks)
- d. Identify and explain any five elements of an auditor's report. [10 Marks]

QUESTION 4 [25 MARKS]

- a. State and explain any five attributes of an audit finding. [10 Marks]
- b. Identify and explain any five elements of an auditor's report. [10 Marks]
- c. Explain any two classes of controls that an auditor examines during the conduct of an audit engagement. [5 Marks]

END OF EXAMINATION PAPER