



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

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**BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING**

PART II FIRST SEMESTER EXAMINATION

**AUDIT SKILLS (BAC2103)**

SEPTEMBER 2024

DURATION: 3 HOURS

**INSTRUCTIONS**

1. Answer **ALL** questions
2. Begin your answer to each question on a new page.
3. Please indicate the study format (Conventional/Block) on the cover of your answer script.

**INFORMATION FOR CANDIDATES**

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

**This paper consists of five (5) printed pages including the cover page**

## QUESTION 1 [30 MARKS]

For each of the following questions, just write the letter that corresponds to the answer you consider to be correct. Each question carries 2 **marks**.

1.1 The audit that is made compulsory under provision of the law is called:

- A) Statutory audit
- B) Partial audit
- C) Complete audit
- D) Continuous audit

1.2 The kind of audit that is generally conducted between two annual audits:

- A) Internal audit
- B) Interim audit
- C) Financial audit
- D) Continuous audit

1.3 The auditor is like a——

- A) Watchman
- B) Foolish dog
- C) Mad dog
- D) Watchdog

1.4 Verification is:

- A) The art of recording the business transactions
- B) An examination of the books of accounts
- C) The act of establishing the accuracy of entries in the books of accounts
- D) The process of giving feedback to management

1.5 A good audit report must at least meet one of the following qualities:

- A) It should offer constructive and timely suggestions to the management

- B) It should not point out mistakes
- C) It should not be based on factual information
- D) It should not be based on statement of financial position

1.6 In the accounting process

- A) The types and amount of evidence remain constant from audit to audit
- B) The criteria for evaluating information will not vary depending on the information being audited.
- C) The audit report communicates the auditor's findings to users
- D) Records are gathered by the auditor to determine whether the audited information is stated in accordance with international standards on auditing.

1.7 In comparison to the independent auditor, an internal auditor is more likely to be concerned with.....

- A) Cost accountancy system
- B) Internal control system
- C) Legal compliance
- D) Accounting system

1.8 An Audit program is prepared by

- A) The auditor
- B) The client
- C) The audit assistants
- D) Auditor and his assistants

1.9 Inherent risk and control risk differ from detection risk in which of the following ways

- A) Inherent risk and control risk are calculated by the client
- B) Inherent risk and control risk exist independently of the audit
- C) Inherent risk and control risk are controlled by the auditor
- D) Inherent risk and control risk exist as a result of the auditor's judgement about materiality

1.10 Audit plan should be based on the knowledge of the——

- A) Client's share capital
- B) Client's family
- C) Client's business
- D) Client's reputation

1.11 Which of the following best demonstrate the concept of professional skepticism?

- A) Focusing on items that have a more significant quantitative effect on the entity's financial statement
- B) Relying more extensively on external evidence rather than internal evidence
- C) Evaluating potential financial interests held by auditors in the client
- D) Critically assessing verbal evidence received from the entity's management

1.12 The probability that a client's internal control policies and procedures will fail to detect material misstatement if they have affected the accounting system is called

- A) Detection risk
- B) Control risk
- C) Inherent risk
- D) Audit risk

1.13 The probability that an auditor will give an inappropriate opinion on financial statements is called:

- A) Detection risk
- B) Control risk
- C) Inherent risk
- D) Audit risk

1.14 Which of the following matters does an auditor usually include in the engagement letter?

- A) Arrangement regarding fees and billing
- B) Analytical procedures that the auditor plans to perform
- C) Indications of negative cash flows from operating activities

D) Identification of working capital

1.15 An engagement letter is used primarily to:

- A) Ensure a clear contractual understanding of the services to be provided by auditors
- B) Express an opinion on the financial statements
- C) Provide management representatives to be included in the audit evidence
- D) Disclaim liabilities

**QUESTION 2 [20 MARKS]**

- a) As an audit Assistant of KPMG, write a memo to the audit manager advising him on what should be included in the engagement letter **[12 Marks]**
- b) Where does the auditor get knowledge of the client's business **[8 Marks]**

**QUESTION 3 [20 MARKS]**

- a) Discuss the fundamental principles in auditing **[10 Marks]**
- b) Describe the threats to the fundamental auditing principles **[10 Marks]**

**QUESTION 4 [10 MARKS]**

Discuss audit procedures which an auditor can use to collect audit evidence **[10 Marks]**

**QUESTION 5 [20 MARKS]**

Discuss the costs and benefits of an audit program. **[20 Marks]**

**END OF EXAMINATION PAPER**