



# PIONEER INTERNATIONAL UNIVERSITY

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**ACADEMIC YEAR:** 2021/2022

**UNIT NAME:** AUDITING AND ASSURANCE

**SEMESTER:** SEPT- DEC 2021

**UNIT CODE:** ACCT 4111

**DATE:** DEC 2021

**TIME:** 2 HOURS

**Instructions: Answer SECTION A (Compulsory) and Any Other Two Questions**

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## **SECTION A (30Marks)**

### **QUESTION ONE (30 MARKS)**

- a. An auditor is expected to be independent, competent and of high integrity.
- i. Write short notes on each of the above qualities. [6Marks]
  - ii. List FIVE factors that may impair the independence of an auditor. [8 Marks]
- b. Explain the rights of the auditor to access books as stipulated in Companies Act Cap 486. [4Marks]
- c. Briefly explain duties and responsibilities of an auditor in case of material misstatement resulting from Management Fraud. [4Marks]
- d. Describe the purpose of Internal control Mechanisms using an hypothetical firm of your choice [8Marks]

### **QUESTION TWO (20 MARKS)**

a. Mr. Adalat George, the staff Partner of Binitie, George and Co., a firm of Chartered Accountants based in Port Harcourt, is conducting a recruitment interview, as a prelude to the employment of some Audit Staff into his firm.

As one of the applicants, you were requested to come to the interview venue with a report addressed to the staff Partner, detailing the Audit steps necessary, to verify the values appearing for the following assets, in a clients financial statements for an accounting year end.

- i. Freehold Land and Buildings
  - ii. Plant and Machinery
  - iii. Motor Vehicles [15 Marks]
- b. Discuss the importance of audit working papers in regards to auditing process [5Marks]

**QUESTION THREE (20 MARKS)**

Your cousin Jane Odhiambo is employed in a small branch of a bank where she is involved only with customer's personal accounts. You have received a letter from your cousin in which she informs that she is about to be transferred to another branch where she will be involved with customer who are limited companies. Your cousin has requested you to write something about audits and audit reports.

You are required to explain in the letter

- (a) The nature and purpose of the audit of limited company. [10 Marks]
- (b) The meaning of the audit report and its content. [10 Marks]

**Question Four (20 Marks)**

a. Briefly explain the meaning of the following terms as used in auditing:

- i. The materiality concept. [4 marks]
- ii. The going concern concept. [4 marks]

b. Discuss the substantive tests for detection of misstatements in auditing revenue and collection cycle under the following;

- i. Audit of Accounts Receivable [6Marks]
- ii. Audit of Cash Balance [6Marks]

**Question Five [20marks]**

You are an auditor with You and Me partners for which you audit the accounts of Mimi na Wewe limited. After the results of the financial year just ended you are invited for a meeting with the CEO of Mimi na Wewe Limited. During the meeting which cordial, friendly and informative, the CEo suggested that the external auditor may well be necessary for the outsider user of financial statements in so far as he adds credibility to those statements but as far as management was concerned external audit was just a nuisance. He felt that internal audit was much more valuable and believed that the firm should be doing much more to co-ordinate your work with that of the internal auditor.

**Required:**

- a) Explain what CEO meant by the statement that external auditor needs to add credibility to financial statements. [4 Marks]
- b) Show why the management may have conclude that internal audit is more useful to them than the external audit. [4 Marks]
- c) Explain to the CEO in what respect you believe the external audit may also be of considerable value to the management. Give examples. [4Marks]
- d) State the reasons why the external auditor may use the wok of the internal auditor [4 Marks]
- e) State the extent to which you believe the internal auditor can benefit from co-operating with the external auditor. [4 Marks]

**IMPORTANT NOTICE !!!!!!!!!!!!!**

**The following are the possible consequences if found guilty of an Examination Offence:**

- a) Expulsion from the University.**  
**b) Academic Leave.**

