



ATD LEVEL III

AUDITING

TUESDAY: 18 May 2021.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) (i) Analyse six essential features of statutory audits. (6 marks)
- (ii) Examine four advantages of statutory audits to the management of a business enterprise. (8 marks)
- (b) In the context of the Companies Act, highlight three rights of an auditor. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) International Standard on Auditing (ISA) 300 on planning an audit of financial statements requires the auditor to establish the overall audit strategy for the engagement and developing of an audit plan.

Required:

- (i) Highlight six contents of an audit planning memorandum. (6 marks)
- (ii) Outline four challenges encountered in developing and implementing audit plans. (4 marks)
- (iii) Suggest three measures to mitigate the challenges outlined in (a) (ii) above. (3 marks)
- (b) Audit risk is the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated.

Required:

- (i) Summarise three types of audit risk. (3 marks)
- (ii) Examine four benefits that would accrue to a firm that undertakes risk classification. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) (i) Define the term "internal check". (2 marks)
- (ii) Discuss five matters that should be taken into consideration by a company when designing a good internal check system. (10 marks)
- (b) The control of cash is of prime importance in any business.

In light of the above statement, describe four internal controls that you would recommend to an entity over the management of its petty cash. (8 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) In relation to computerised auditing, evaluate four drawbacks of using an audit software by an external auditor. (8 marks)
 - (b) In relation to the Auditor's report, describe three types of modified opinion. (6 marks)
 - (c) Explain three fundamental ethical principles and expectations that govern the behaviour of individuals in the conduct of internal auditing. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Citing two examples, explain the term "window dressing". (4 marks)
- (b) Analyse four elements of fraud perpetuated in an entity. (8 marks)
- (c) Auditors should develop and document an overall audit plan describing the expected scope and conduct of the audit.

With reference to the above statement, examine four matters in each case that would be included in the following sections of an audit plan:

- (i) Risk and materiality. (4 marks)
 - (ii) Knowledge of the entity's business. (4 marks)
- (Total: 20 marks)**
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