



National University of Science and Technology

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

FIRST SEMESTER SUPPLEMENTARY EXAMINATION: 2013/2014

DATE : JULY 2014

SUBJECT : AUDIT SKILLS CAC 2103

TIME ALLOWED : THREE (3) HOURS

MARKS : 100

INSTRUCTIONS TO CANDIDATES

1. Answer all questions
2. Use the examination book provided
3. Use black or blue pen
4. Begin each question on a new page and
5. Submit all answer books

Question 1 (25 marks)

Three students from your university recently attended an auditing seminar. At the seminar, the speaker explained the International Federation of Accountant's (IFAC) Code of Ethics and Conduct providing detailed coverage of the Code's fundamental principles comprising integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. He also covered the conceptual framework for applying the fundamental principles and identified circumstances which may give rise to specific threats to compliance with the principles.

Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Such threats may fall into the following categories:

- Self-review
- Familiarity
- Intimidation
- Advocacy

Required:

a) Describe the obligation the following fundamental principles of IFAC's Code of Ethics and Conduct places upon members:

- Integrity
- Objectivity
- Professional behaviour
- Professional competence and due care
- Confidentiality

(10)

b) For each of the above categories of threats, describe the circumstances in which the threat may arise; **(7)**

c) Identify two specific circumstances in an audit situation which give rise to the threat to an auditor. **(8)**

Question 2 (25 marks)

The Companies Act [24:03] deals with matters relating to the statutory auditor which include the following:

- Qualifications
- Appointment
- Powers and Duties
- Remuneration
- Removal and retirement

Required:

Discuss the requirements of the act for each of the listed areas listed above. **(25)**

Question 3 (25 marks)

International Auditing Standard on quality control for firms that perform audits and reviews of financial statements 1 (ISQC1) and International Auditing Standard on Quality control for audit engagements for an audit of financial statements 220 (ISA 220) are the set guidelines for establishing and maintaining quality control for audits of general purpose financial statements:

Required:

Describe the quality control requirements contained in these two International Auditing Standards. **(25)**

Question 4 (25 marks)

Many expressions and terms used by the auditors have a specific meaning in relation to the auditing profession.

Required:

Explain what you understand by the following expressions and terms indicating the context in which they might be used.

- Unmodified opinion **(5)**
- Modified opinion **(5)**
- Reasonable assurance **(5)**
- True and fair view **(5)**
- Audit report **(5)**

Total marks (25)

END OF EXAMINATION PAPER