

NATIONAL UNIVERSITY OF SCIENCE & TECHNOLOGY

DEPARTMENT OF ACCOUNTING

FIRST SEMESTER EXAMINATION: FEBRUARY 2010

AUDIT SKILLS, THEORY AND PRACTICE – CAC 4103

TIME ALLOWED: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Answer all questions in this paper.

QUESTION 1

You are one of the four Partners of Stone House and Company and the directors of your client have requested you to address them on the following:

- a) Types and level of assurance for an engagement you encounter in your firm.
- b) The criteria and the procedures that your firm uses to come up with assurance reports.

REQUIRED:

Write a short paper on the above request. **(25 marks)**

QUESTION 2

- (a) Define materiality and demonstrate how it should be applied in financial reporting and auditing. **(10 marks)**
- (b) Give a concise explanation of matters to be considered and the procedure that Khumalo and Mnondo Chartered Accountants, should carry out before accepting a new client Matopo Hills Mine.
The explanation should include client acceptance, engagement acceptance and terms of engagement. **(15 marks)**

QUESTION 3

Discuss the procedures that an Auditor faces when a client uses a Service Provider for processing its stores and payroll systems. **(25 marks)**

QUESTION 4

“The application of statistical sampling techniques in the examination of financial statements does not eliminate judgemental decisions” A Hove, a Senior Partner remarked in a meeting.

REQUIRED

- (a) Identify and explain the areas where judgment may be exercised by the auditors in designing statistical sampling applications.
- (b) Assume the sample for compliance test reveals an error rate beyond the tolerable rate, describe the various actions that the auditor will take.
- (c) Describe four different techniques for selecting a random sample of 120 debtors from a list of 4 500 debtors covering 40 pages.

(25 marks)