



**National University of  
Science and Technology**  
*Think in Other Terms*



**FACULTY OF COMMERCE**  
**DEPARTMENT OF FINANCE**  
**BACHELOR OF COMMERCE HONOURS DEGREE IN FISCAL STUDIES**  
**FINAL EXAMINATION – DECEMBER 2014**  
**AUDIT PRACTICE AND INVESTIGATION I [CFS 4104]**

**TIME ALLOWED: 3 HOURS**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer any **FIVE(5)** Questions only
2. Start the answer to each full question on a fresh page of the answer sheet.
3. Questions may be written in any order, but must be legibly numbered.
4. Write legibly.
5. Show workings

**ADDITIONAL INFORMATION FOR CANDIDATES**

- 1) The paper contains SIX (6) questions.
- 2) Marks for each question are shown in parentheses brackets ( ) and square brackets [ ] at the end of each part of the question and full question respectively.
- 3) All questions carry **equal marks** [20 marks].

### **QUESTION 1**

- a) Briefly discuss each of the stages of an audit **[10 Marks]**
- b) Briefly outline the issues that you would expect to be included in a management letter? **[10 Marks]**

### **QUESTION 2**

An internal auditor is required to be independent and objective in the conduct of his duties. Briefly discuss the factors that may lead to the impairment of the internal auditor's independence and objectivity and how the International Internal Auditing Standards address the issue of impairment. **[20 marks]**

### **QUESTION 3**

Critically discuss the purpose of an Internal Audit Charter in the establishment of an internal audit department in a firm. **[20 marks]**

### **QUESTION 4**

Discuss the relevance of audit documentation with reference to ISA 230. **[20 Marks]**

### **QUESTION 5**

- a) Discuss the requirements expected of an auditor as laid out in ISA 200. **[10 marks]**
- b) Explain the ethical requirements that an auditor must observe in the audit of financial statements. **[10 marks]**

## QUESTION 6

Mr. Luxury has a small business that he runs over and above his employment. He earns an annual net salary of \$10,000 from employment and has been taxed on it as he is on FDS. He has not been returning the income from his business venture as he refers to it as a hobby. During the year he also received \$2,000 for the sale of an old motor vehicle and also won \$1,000 at a school raffle. You have audited him and you have established the following facts:

During the year he purchased:-

New truck	27,000
Second hand vehicle for his wife	5,000

He also has the following expenses that he met during the year:-

Rates and Electricity	3,000
School fees for his children	6,000
Repairs to his house	4,000
Motor vehicle expenses	2,000
Supplies for his hobby	25,000
Wages for the man who runs the hobby	2,400

### Required:

You have confirmed from his bank accounts that his bank balance as at the 31 December 2012 was \$2,500 and the balance as at 31 December 2013 was \$3,200. He tells you that he believes his sales amounted to \$39,000.

a) Using the T account method, calculate the amount that Mr. Luxury did not account for to ZIMRA. **[10 Marks]**

b) Would the outcome be different if you use the source and application of funds? **[10 Marks]**

**END OF EXAMINATION PAPER**