



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



**FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FISCAL STUDIES
PART IV – 1st SEMESTER FINAL EXAMINATION – DECEMBER 2015
AUDIT PRACTICE AND INVESTIGATION I [CFS 4104]
TIME ALLOWED: 3 HOURS**

INSTRUCTIONS TO CANDIDATES

- 1) Answer any **FIVE (5)** questions.
- 2) Questions may be written in any order, but must be legibly numbered.
- 3) Write legibly.
- 4) Show **ALL** workings.

ADDITIONAL INFORMATION FOR CANDIDATES

- 1) The paper contains **SEVEN (7)** questions.
- 2) This paper consists of **FOUR (4)** printed pages, including cover page.
- 3) All questions carry equal marks [20 marks].

ADDITIONAL MATERIAL

- 1) None

QUESTION 1

Critically discuss the steps you would take in the audit of plant, property and equipment.
[20 Marks]

QUESTION 2

Briefly discuss the following terms that are used in the audit of financial statements:

- a. Materiality **[5 marks]**
- b. Reperformance **[5 marks]**
- c. Professional judgment **[5 marks]**
- d. Professional skepticism **[5marks]**

QUESTION 3

- a. Briefly discuss the aspects that an interviewer must guard against during an audit interview. **[5 marks]**
- b. Discuss what you understand by “**paraphrasing**” in an audit interview situation and explain how you would use it during an audit interview. **[5 marks]**
- c. Briefly explain the use of eye contact in an audit interview bringing out its merits and demerits. **[5 marks]**
- d. Explain the term “**calibration**” in an audit interview scenario. **[5 marks]**

QUESTION 4

Explain how internal auditors are expected to apply due professional care during internal audit activities in line with IIA 1220.
[20 Marks]

QUESTION 5

Outline the rules of conduct that internal auditors are expected to adhere to during the conduct of internal audits.
[20 marks]

QUESTION 6

Assume you have finished the audit of Designs (Pvt) Limited. Write an imaginary audit report in terms of ISA 700. **[20 Marks]**

QUESTION 7

The information below was extracted from the books of Mr. Nhaka.

Bank Balances	1/1/2013	31/12/2013
Bank 1 Current	115,530.00	101,710.00
Unpresented cheques	10,230.00	5,650.00
Bank 2 Savings	8,000.00	9,460.00
Bank 3 Savings	7,690.00	11,010.00
Bank 4 Savings	13,000.00	47,020.00
Bank 5 Savings	63,060.00	14,980.00
Cash on Hand	32,000.00	48,000.00
Creditors	2,500.00	2,000.00
Debtors		
Sales	2,498,000.00	
Salary received	104,000.00	
Interest received	390.00	
Sale of car	15,000.00	
Loans received	2,960.00	
Tax refund	2,730.00	
Rent received	24,100.00	
Funds from son	13,000.00	
Purchases	1,632,000.00	
Expenses	711,200.00	
Depreciation	21,536.00	
Car purchased	10,800.00	
House purchased	26,400.00	

Panel van purchased	60,000.00
Loan to son	10,000.00
Swimming pool built	82,260.00
Tax paid	48,360.00
Personal expenses	160,550.00
PAYE on salary	26,000.00
Drawings(goods for own use)	10,400.00
Recoupment on sold assets	2,787.00

Required:

Use the T Account method to determine whether the income he declared was correct.
[20 marks]

END OF EXAMINATION PAPER