



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES & EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07 BOAC	LEVEL: 7
COURSE CODE: AUT 621S	COURSE NAME: AUDITING 202
SESSION: OCT/NOV 2025	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY QUESTION PAPER	
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INSTRUCTIONS
<ol style="list-style-type: none">1. This test paper is made up of five (5) questions.2. Answer ALL Question in blue or black ink3. Start each question on a new page in your answer sheet4. Questions relating to this paper may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities & any assumption made by the candidate should be clearly stated.

This question paper consists of 7 pages (including the cover page)

QUESTION 1

(20 MARKS)

PART A

One afternoon, your cousin who is studying engineering calls you with a puzzled look. They have been reading about companies and their financial statements and reports and ask: "How do people really know if these numbers are correct? Can we just trust what is on paper?"

Required: Try to explain to your cousin what auditing is and why someone might want a company's financial information to be reviewed. (10)

PART B

The SAICA Code of Professional Conduct (CPC) provides the foundation for how professional accountants should behave in the performance of their duties.

Required: Read each of the following statements carefully. For every statement, indicate which fundamental principle of the CPC is being described or best applies. (10)

1. An accountant refuses to manipulate financial figures even though management pressures them to do so.
2. A trainee auditor avoids being influenced by close friendships when evaluating a client's transactions.
3. An auditor takes continuing professional development (CPD) courses to stay up to date with new auditing standards.
4. A professional does not disclose client information to a competitor without proper authority.
5. A chartered accountant avoids engaging in conduct that could discredit the profession, even outside work.
6. A tax consultant provides advice only in areas where they are qualified and experienced.
7. An auditor ensures that audit working papers are properly documented and filed in accordance with firm policy.
8. A professional declines a gift from a client because it could create the perception of bias.
9. A financial manager openly and honestly communicates the results of an internal review, even though it reveals weaknesses.
10. A practitioner corrects a previously issued report when they discover that it contained an error.

QUESTION 2**(10 MARKS)**

You are part of the audit team reviewing the annual financial statements of a medium-sized Namibian company. During your review, you discover a payment error made by the senior accountant in the financial reporting department.

The accountant was supposed to pay Safa Pty Ltd an amount of N\$250,000 for goods supplied. However, due to a data entry error, the payment was made to Stafas Pty Ltd instead. When the company contacted Stafas Pty Ltd to request a refund, the company indicated that they were not aware of the payment and were unwilling to return the money, claiming that the funds had been absorbed by an overdraft on their account.

As a result, the company had to repay N\$250,000 to Safa Pty Ltd. There is no evidence of theft, or intentional misconduct by the accountant as the error occurred due to misreading the beneficiary's name during the payment process. However, it becomes clear that the errors occurred because the accountant did not fully comply with internal controls and company policies, such as proper authorization and verification of supporting documents.

Required: Assess whether this situation qualifies as a reportable irregularity under the Auditing Profession Act (APA). **(10)**

QUESTION 3**(20 MARKS)**

You are on the audit team of Maano Auditing Services. Your firm has been approached to audit InnoTech Dynamics Ltd, a technology-based company planning to expand its operations next year. This will be the first client your firm is handling from the technology sector. The proposed audit is scheduled for November 2025, but most of your trainee accountants will be on study leave preparing for their APC exams, which may affect the availability of staff for the engagement.

InnoTech Dynamics is a new client for Maano, and preliminary investigations have revealed that the previous CEO, Mr. Leonard Mathews, was recently terminated due to misappropriation of company funds. The company is also experiencing significant financial difficulties, including delayed payments from key clients and liquidity challenges. Compounding these concerns is the fact that the company uses a non-standard accounting framework called "TechnoStat Reporting Standards (TRS)", which is not widely recognized, and relies on a fully integrated IT system for its financial reporting, which may introduce technical risks if the audit team is unfamiliar with the system.

The audit manager assigned to this engagement, Ms. Rachel Swan, is married to the company's InnoTech CFO, Mr. Adrian Cole. The company has recently appeared in the news for tax evasion schemes related to cryptocurrency operations, which raises the risk of criminal exposure and regulatory scrutiny. The client has requested a limitation in the audit scope, specifically that audit testing of revenue recognition be restricted to selected transactions only, citing time and cost constraints.

Required: Assess and evaluate whether the firm should accept or decline this engagement(20)

QUESTION 4**(10 MARKS)****SCENARIO: BOARD COMPOSITION AT MANPOWER RESOURCES LTD**

ManPower Resources Ltd is a listed Namibian energy company operating primarily in the Erongo and Kunene regions. The company recently underwent a restructuring process and is aiming to align with the principles of the King IV Report on Corporate Governance and the requirements of the Namibian Stock Exchange (NSX).

As part of this process, attention has been placed on the composition of the Governing body committee. Below is the current structure of the governing body:

Name	Role on the Governing Body	Race	Gender
Paulus Amutenya	Chair (Independent Non-Executive)	Black	Male
Johan van Wyk	Independent Non-Executive	White	Male
Thomas Ilonga	Independent Non-Executive	Black	Male
Michael Beukes	Independent Non-Executive	White	Male
Simon Nghitila	Independent Non-Executive	Black	Male
Peter de Villiers	Non-Executive	White	Male
Elias Haufiku	Non-Executive	Black	Male
Willem Botha	Non-Executive	White	Male
Anna Shilongo	Non-Executive	Black	Female
Helena Swart	Executive – CFO	White	Female

Required: Critically comment on the composition of the governing body of NamPower Resources Ltd. **(10)**

QUESTION 5**(40 MARKS)****1. Background:**

You are a member of the audit team performing the 30 September 2025 year-end audit of ABC Manufacturing Ltd (ABC). ABC is a Namibian company listed on the Namibia Stock Exchange (NSX) and manufactures apparel primarily for retail chains across Namibia. The company imports all its raw materials and manufacturing equipment from overseas, and its main production facility is based in Otjiwarongo.

ABC Manufacturing recently decided to expand its operations and intends to submit a tender to supply apparel to multiple retail outlets nationwide. As part of the tender application, ABC is required to submit audited financial statements for the year ended 30 September 2025. One of the tender conditions is that the company must maintain a current ratio of at least 2:1, placing significant pressure on the auditors to complete the audit before the tender submission deadline of 20 October 2025. Additionally, the Chief Financial Officer (CFO) indicated that if the tender is successful, management will receive performance-based bonuses linked to profit for the year.

During July and August 2025, ABC's factory workers went on strike demanding a wage increase from N\$75 per hour to N\$150 per hour. The strike was resolved with a new wage rate of N\$140 per hour, almost double the original rate, significantly increasing labor costs. Just before year-end, the National Energy Regulator of Namibia (NERNA) announced a further 18% increase in electricity tariffs, adding to an earlier 10% increase during the year, which could materially affect production.

At the end of the financial year ABC implemented cost saving measures of which one was to close its audit department.

2. Financial Information:

Item	Audited Prior Year 2024 (N\$)	Budget / Forecast 2025 (N\$)
Profit before tax	1,050,000	1,300,000
Revenue	11,500,000	12,500,000
Gross profit	3,200,000	3,600,000
Total assets	8,000,000	8,700,000
Equity	3,800,000	4,100,000
Total expenses	10,450,000	11,200,000

2025 Financial Statements are not yet finalised and the budgeted figures have been considered as the most reliable and relevant figures.

Materiality intervals:

Base	Suggested Interval (%)
Profit before tax	5 – 10%
Revenue	0.5 – 2%
Gross profit	1 – 5%
Total assets	0.5 – 2%
Equity	1 – 5%
Total expenses	0.5 – 2%

A risk assessment has been performed, and it has been determined that the inherent and control risks are low.

Required:

- a) With reference to the **background** information of ABC:
- i. Identify the events or conditions (risk indicators) at the financial statement level **(8)**
 - ii. For each identified event or condition (risk indicator) describe the risks of material misstatement present in the financial statements of ABC. **(17)**

Present your answer as follows:

(a) Events or conditions / (risk indicators) (1 mark each)	(b) Description of risks of material misstatement (2 marks each)
1.....	1.....

- b) With reference to **financial information**
- i. Describe the steps that should be followed by the auditor to calculate the planning materiality. **(5)**
 - ii. Calculate planning materiality and substantiate your calculations with reasons explaining why you used certain figures. **(10)**

~THE END~