



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING & FINANCE**

QUALIFICATION: BACHELOR OF ACCOUNTING (HONOURS)	
QUALIFICATION CODE: 08BOAH	LEVEL: 8
COURSE CODE: AUD812S	COURSE NAME: ADVANCED AUDIT
SESSION: JANUARY 2025	PAPER: THEORY AND APPLICATION
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY QUESTION PAPER	
EXAMINERS:	Dumisani. R. Muzira
MODERATOR:	Marko Tondota

INSTRUCTIONS
<ul style="list-style-type: none">• This question paper is made up of FOUR (4) questions.• Start each question on a new page.• Answer All the questions and in blue or black ink.• You are advised to pay due attention to expression and presentation. Failure to do so will cost you marks.• Start each question on a new page in your answer booklet and show all your workings.• 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 and any assumption made by the candidate should be clearly stated.

PERMISSIBLE MATERIALS

Non-programmable calculator/financial calculator

THIS QUESTION PAPER CONSISTS OF 3 PAGES (Including this front page)

Question 1**(25 marks)**

ABC is a company that provides internet services for a variety of organizations. It operates in the capital city of the country and your firm is the largest audit firm in that city. ABC is owned and run by two entrepreneurs with experience in this sector and has been in existence for five years. It is expanding rapidly in terms of its client base, the number of staff it employs and its profits. It is exactly one month from the company's year end and you have been approached to perform the audit for the year end. Your firm has not audited this company before. ABC has had three different firms of auditors since its incorporation.

ABC's directors have indicated to you informally that the reason they wish to change auditors is because of a disagreement about certain disclosures in the financial statements in the previous year. The directors consider that the disagreement is a trivial matter and have indicated that the company accountant will be able to provide you with the details once the audit has commenced. Your firm has explained that before accepting the appointment, there are various matters to be considered within the firm and other procedures to be undertaken, some of which will require the co-operation of the directors. Your firm has other clients that provide internet services. The directors have asked your firm to commence the audit immediately because audited accounts are needed by the bank within 2 months from the year-end. Your firm is very busy at this time of year.

Required:

- a) Describe the matters to consider within your firm and the other procedures that must be undertaken before accepting the appointment as auditor to ABC. **(20)**
- b) Explain why it would be inappropriate to commence the audit before consideration of the matters and the procedures referred to in (a) above have been completed. **(5)**

Question 2**(25 marks)**

You have been asked by the senior in charge of the audit of Bee Manufacturing to describe certain aspects of the work you will carry out in auditing the company's wages system.

- Employees of Bee Manufacturing are paid based on hours worked and quantities produced.
- The hours worked are recorded on clock cards and the quantities produced are confirmed by the supervisor.
- Wages are paid in cash each Friday for the previous week's work.
- Appointment of employees is authorised by the managing director, and the personnel

department maintains employees' records and their rates of pay.

- The cashier is separate from the wages department.

Previous years' audits have highlighted weaknesses in internal controls in the company's wages system. This has allowed an employee in the wages department to perpetrate a fraud by creating fictitious employees on the payroll and misappropriating the wages. Some of your audit tests have been designed to detect whether this fraud is still taking place. A 'starters and leavers' test is carried out to ensure that employees are not paid before they commence employment or after they have left.

- a) State the principal controls you would expect to exist in a wages system and explain their purpose. (10)
- b) Suggest techniques you can use to check the existence of employees. (5)
- c) Describe how you will carry out a starters and leavers test. (5)
- d) Describe the analytical review techniques you can use in auditing the wages system. (5)

Question 3

(25 Marks)

The organisation that you work for discovered an immaterial fraud after the auditors had completed auditing the company's financial statements. The directors of the company have written to the auditors questioning the quality of the audit work done if a fraud could not be detected.

Required:

- a) Prepare a response to this accusation as an auditor. (20)
- b) State some of the inherent limitations found in any system of internal control (5)

Question 4

(25 marks)

- a) Realising that Information Technology (IT) forms an integral part of most business operations, explain some of the I T controls that management should be aware of. (15)
- b) Discuss the advantages and disadvantages of Computer-Assisted Audit Techniques (CAAT) (10)

THE END