



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMIC, ACCOUNTING AND FINANCE

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

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	D.R. MUZIRA
MODERATOR:	MARKO TONDOTA

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer all questions.2. Read all the questions carefully before answering.3. Make sure your name and surname, question number and the date appears on the answer script.4. Please ensure that your writing is legible, neat and presentable.

THIS QUESTION PAPER CONSISTS OF 4 PAGES (Including this front page)

Question 1**(30 marks)**

Fashionar Co manufactures women's clothing and its year end was 31 July 2025. You are an audit supervisor of Jaunty & Co and the year-end audit for Fashionar Co is due to commence shortly.

The draft financial statements recognise profit before tax of \$2.6m and total assets of \$18m. You have been given responsibility for auditing receivables, which is a material balance, and as part of the audit approach, a positive receivables circularisation is to be undertaken.

At the planning meeting, the finance director of Fashionar Co informed the audit engagement partner that the company was closing one of its smaller production sites and as a result, a number of employees would be made redundant. A redundancy provision of \$110,000 is included in the draft financial statements.

Required:

- a) Describe substantive procedures, other than a receivables circularisation, the auditor should perform to obtain sufficient and appropriate audit evidence to verify EACH of the following assertions in relation to Fashionar Co's receivables:
 - (i) Accuracy, valuation and allocation (4)
 - (ii) Completeness, and (4)
 - (iii) Rights and obligations. (4)
- b) Describe substantive procedures the auditor should perform to obtain sufficient and appropriate audit evidence in relation to the redundancy provision at the year end. (8)
- c) A few months have now passed, and the audit team is performing the audit fieldwork including the audit procedures which you recommended over the redundancy provision. The team has calculated that the necessary provision should amount to \$305,000. The finance director is not willing to adjust the draft financial statements. Required: Discuss the issue and describe the impact on the auditor's report, if any, should this issue remain unresolved.(10)

Question 2**(20 marks)**

You are the audit manager of Violet & Co and you are currently reviewing the audit files for two of your clients for which the audit fieldwork is complete. The audit senior has raised the following issues:

Deer Co

Deer Co's year-end is 30 September, however, subsequent to the year-end the company's sales ledger has been corrupted by a computer virus. Deer Co's finance director was able to produce the financial statements prior to this occurring; however, the audit team has been unable to access the sales ledger to undertake detailed testing of revenue or year-end receivables. All other accounting records are unaffected and there are no backups available for the sales ledger. Deer Co's revenue is \$15.6m, its receivables are \$3.4m and profit before tax is \$2m.

Furr Co

Furr Co has experienced difficult trading conditions and as a result it has lost significant market share. The cash flow forecast has been reviewed during the audit fieldwork and it shows a significant net cash outflow. Management are confident that further funding can be obtained and so have prepared the financial statements using the going concern basis with no additional disclosures; the audit senior is highly sceptical about this.

The prior year financial statements showed a profit before tax of \$1.2m; however, the current year loss before tax is \$4.4m and the forecast net cash outflow for the next 12 months is \$3.2m.

Required:

For each of the two issues:

- a) Discuss the issue, including an assessment of whether it is material; (6)
- b) Recommend procedures the audit team should undertake at the completion stage to try to resolve the issue; and (6)
- c) Describe the impact on the auditor's report if the issue remains unresolved. (8)

Note: 1. Report extracts are NOT required.

2. The marks will be split equally between each issue

Question 3

(25 marks)

You are the audit manager of Garland & Co and you are planning the audit of Bee Financials Co (Bee), who specialise in the provision of loans and financial advice to individuals and companies. Garland & Co has audited Bee for many years.

The directors are planning to list Bee on a stock exchange within the next few months and have asked if the engagement partner can attend the meetings with potential investors. In addition, as the finance director of Bee is likely to be quite busy with the listing, he has asked if Garland & Co can produce the financial statements for the current year.

During the year, the assistant finance director of Bee left and joined Garland & Co as a partner. It has been suggested that due to his familiarity with Bee, he should be appointed to provide an independent partner review for the audit.

Once Bee obtains its stock exchange listing it will require several assignments to be undertaken, for example, obtaining advice about corporate governance best practice. Garland & Co is very keen to be appointed to these engagements, however, Bee has implied that in order to gain this work Garland & Co needs to complete the external audit quickly and with minimal questions/issues.

The finance director has informed you that once the stock exchange listing has been completed, he would like the engagement team to attend a weekend away at a luxury hotel with his team, as a thank you for all their hard work. In addition, he has offered a senior member of the engagement team a short-term loan at a significantly reduced interest rate.

Required:

- a) What is the meaning of 'auditor independence' in auditing? (4)
- b) Identify and explain SEVEN ethical threats which may affect the independence of Garland & Co's audit of Bee Financials Co, and (7)
- c) For each threat, suggest a safeguard to reduce the risk to an acceptable level. (14)

Note: Prepare your answer using two columns headed Ethical threat and Possible Safeguard respectively.

Question 4

(25 marks)

An auditor who has just joined your audit firm is seeking clarity on ISA 500-Audit evidence.

Required

Explain the key considerations to make before relying on the work of a specialist.

THE END