

UGANDA MARTYRS UNIVERSITY
Faculty of Business Administration and Management
Auditing Examination
Bachelor of Business Administration and Management (BAM III)
Supplementary/Special Examination

Date: 10th August 2015

Course Code: ACC 3201

Time: 2:00pm – 5:00pm

Instructions:

1. Number of questions: **Six (6)**
 2. **Section A** has **One Question** and it is Compulsory and **Must** be attempted
 3. **Section B** has **Five Questions**: Attempt **Three (3)** Questions
 4. Demonstration of application of theoretical principles in practice will be rewarded
 5. Additional instructions is provided in the answer booklets
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SECTION A: COMPULSORY

QUESTION ONE:

40 Marks

- a) In a system's based audit, auditors normally test the effectiveness of the accounting system and the control procedures. Based on your understanding of a system's based audit procedure;
 - i. What directional tests would you recommend for the audit of sales and debtors
(6 Marks)
 - ii. What audit tests would you recommend for such tests in i, above (4 Marks)
- b) Audit of payroll is one of the critical areas for any audit assignment. It normally involves; the audit objectives, and the tests to conduct
Required;
 - i. Explain the audit objectives of payroll (5 Marks)
 - ii. Identify the substantive tests for payroll audit (5 Marks)
- c) Computerized auditing promises speed, and accuracy in conducting audit assignment. It is also associated with a number of challenges.
 - i. Identify the basic advantages and disadvantages associated with computerized auditing (4 Marks)
 - ii. Identify the common difficulties that might be experienced in a computerized environment (6 Marks)
- d) Distinguish risk based, substantive auditing and system based auditing (6 Marks)
- e) What is the value of integrity and objectivity in audit profession (4 Marks)

SECTION B (THREE QUESTIONS TO BE ATTEMPTED)

QUESTION TWO:

20 MARKS

Audit report summarises the work of the auditor for the audit assignment concluded. You have been asked by your colleagues who are newly recruited in the audit firm to highlight and explain to them an audit report, management letter, letter of representation as well as internal and external audits.

Required:

- i. Identify and explain the key contents of an audit report (8 Marks)
- ii. Distinguish management letter and letter of representation while clearly specifying their purposes and contents (8 Marks)
- iii. Explain the differences in the reports of the internal and external auditors (4 Marks)

QUESTION THREE:

20 Marks

In the audit of ABC Ltd for the financial year 2013/2014, you have been assigned to audit non-current assets (land and building), and accounts payables. This is based on the excellent working papers you organised for the previous year's audit in which you audited goodwill and financial assets.

Required:

- i. You are expected to develop an audit procedure to audit land and building (12 Marks)
- ii. You should also develop audit tests (compliance and substantive) for accounts payable (8 Marks)

QUESTION FOUR:

20 Marks

A colleague at your work place has asked you to explain to him what constitutes a audit evidence. He also wishes to understand the sources of audit evidence and techniques one would used to collect audit evidence.

Required:

- i. Examine critically what constitutes an audit evidence (4 Marks)
- ii. Identify and explain with examples the sources of audit evidence (9 Marks)
- iii. Mention and explain into details the techniques used to collect audit evidence (7 Marks)

QUESTION FIVE:**20 Marks**

- a) Explain the shift in procedure in auditing from traditional to the contemporary auditing (4 Marks)
- b) The audit firm in which you hold a position of an audit trainee has been approached to conduct a special audit in cash office. You have selected to participate in the assignment and your role include amongst others;
 - i. To identify the effectiveness of controls in cash system,
 - ii. Accuracy in books of accounts, and
 - iii. Efficiency in reconciliation statements

Required:

Design the audit and conduct the audit as per your areas of assignment (8 Marks)

- c) Of what relevance of confidentiality in the work of auditors. How do auditors ensure confidentiality in conducting audit assignments (8 Marks)

QUESTION SIX:**20 Marks**

- a) Identify the rules of professional conducts of auditors (5 Marks)
- b) Examine audit planning and interim and final audits based on;
 - i. Examining the phases involved in audit planning (5 Marks)
 - ii. Explaining the activities involved in audit planning (5 Marks)
 - iii. Evaluating the activities involved in interim and final audits (5 Marks)

Good Luck