

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING & FINANCE
SEMESTER TWO 2018/19 EXAMINATION
BAM III AND BSc ACC & FIN III

COURSE UNIT: AUDITING

DATE: Monday, 6th May 2019

DURATION: Three (3) Hours

TIME ALLOWED: 02:00 pm – 05:00 pm

Instructions to Candidates:

Read the following before answering the examination questions :

- 1) Do not write anything on the question paper
- 2) Write neatly and show all workings
- 3) Every question attempted should be started on a new page
- 4) **Section A** is Compulsory
- 5) Answer any other Three Questions in Section B
- 6) Indicate the Question Number you are Answering

SECTION A

Question One: [Compulsory]

- i) Explain the meaning of 'Audit Risk' and its three components. [5marks]
- ii) Briefly discuss the difference between 'Audit Opinion' and 'Audit Report' [5marks]
- iii) As an Auditor, give a detailed explanation of the term 'True and Fair view' [5marks]
- iv) It is the duty of an Auditor to obtain and evaluate evidence against the assertions made in the financial statements. State and explain FIVE ASSERTIONS made in the Financial Statement. [5marks]
- v) Define the terms "Fraud" and "Error" and state the Auditors responsibility as opposed to that of management with respect to fraud and error. [5marks]

SECTION B

Question Two

Outline and discuss the ethical principles that govern auditors. You should show their relevance to auditing. (25 marks)

Question Three (25 marks)

ISA 610: Defines Internal Audit as; "An appraisal or monitoring activity established by management and the directors, for the review of the accounting and internal control systems as a service to the entity".

- a) Discuss the scope of the internal Audit as may be set by Management of a university [5 marks]
- b) Explain the key aspects which the external auditor will have to assess before relying on the work of internal auditors [5 marks]
- c) Discuss the similarities and differences between audit strategy and audit planning. (5 marks)
- d) List and explain the different methods of gathering audit evidence. [5 marks]
- e) Explain the similarities and differences between external auditing and internal auditing. (5 marks)

Question Four (25 marks)

ISA 500 *Audit evidence* requires the auditor to design and perform audit procedures so as to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.

- (a) Explain what is meant by sufficient appropriate evidence. (5 marks)
- (b) List five ways of obtaining audit evidence and discuss the extent to which an auditor can rely on each of these sources of audit evidence. (20 marks)

Question Five (25 marks)

Some people have argued that an internal auditor cannot exercise his/her role objectively since he/she is an employee of the organisation where he/she works. Discuss the role of an internal auditor in an organisation and his/her reporting relationships with the relevant stakeholders.

Question Six (25 marks)

Discuss the various ways of auditing a computerized accounting system by using computers.