

UGANDA MARTYRS UNIVERSITY

Faculty of Business Administration and Management

Auditing Supplementary/Special Examination

Bachelor of Business Administration and Management (BAM III)

Date: 7/8/2014

Course Code: ACC 3201

Time: 9:30 AM – 12:30 PM

Instructions:

1. Number of questions: **Six (6)** Number of Questions to attempt: **Four (4)**
 2. Question **ONE** is compulsory and it **Must** be attempted
 3. Demonstration of application of theoretical principles in practice will be rewarded
 4. Additional instructions is provided in the answer booklet
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SECTION A: Compulsory

QUESTION ONE

ABC & Partners Audit Firm has offered you a job in their firm as an Audit Assistant. The audit Manager of ABC & Partners has assigned you the responsibility of performing a risk audit in one of the client's businesses. This happens to be your first audit assignment and you're determined not to dissappoint him since he has expressed confidence in your competence. Use your understanding to;

- a) Explain what you understand by audit risk *(3 Marks)*
- b) Identify the components of audit risk *(6 Marks)*
- c) For each of the components identified in b) above, examine the aspects you would consider under each component *(16 Marks)*

SECTION B: Answer any Three Questions

QUESTION TWO

- a) Auditors require sufficient and appropriate audit evidence in order to draw conclusion about the financial statements audited. You have just completed your audit course and a friend has asked you to explain to him;

- i. The concept of audit evidence as commonly used in auditing (4 Marks)
- ii. The different types of audit evidence (4 Marks)
- b) The work of auditors sometimes becomes complicated especially when their assignments require engaging other experts. In audit assignments, the work of experts become necessary when the auditor's expertise is not appropriate to conclude the assignment. However, it is critical to bear in mind some factors before engaging experts;
 - i. What factors would you bear in mind before engaging the services of experts (4 Marks)
 - ii. What factors are likely to influence your reliance on the work of an expert (6 Marks)
- c) Distinguish with examples substantive and compliance tests (7 Marks)

QUESTION THREE

- a) There two different types of auditors categorized according to nature of assignment. They are external and internal auditors. Compare and contrast them (12 Marks)
- b) Examine different types of audit opinions (15 Marks)

QUESTION FOUR

- a) Explain with justifications the differences between interim and final audits (10 Marks)
- b) Explain the key audit steps you would follow during audit planning (8 Marks)
- c) Examine the procedure you would follow in conducting audit of accounts receivable (7 Marks)

QUESTION FIVE

The auditors' professional independence is a much discussed topic in audit assignment. There are key aspects that are considered to promote auditors' professional independence while others erode of it. You have been requested to provide a comprehensive explanation about auditors' professional independence.

- a) Explain the concept of auditor's professional independence (6 Marks)
- b) Identify and explain the issues that auditors take into account in order to promote their professional independence (15 Marks)
- c) Explain auditors' professional ethics (4 Marks)

QUESTION SIX

- a) Explain the substantive controls required for cash and bank balances (9 Marks)
- b) You have been asked by your organization to conduct audit of Investments. Identify and explain the procedure you would follow to perform the audit (9 Marks)
- c) Identify the audit procedure you would perform in audit of goodwill (7 Marks)