

**UGANDA MARTYRS UNIVERSITY, NKOZI/LUBAGA  
CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND  
MANAGEMENT**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**BSC ACC & FIN III SEMESTER ONE 2022/2023**

**AUDITING PROFESSIONAL ETHICS & VALUES – PAPER 9**

**DATE: Thursday, 18th May 2023**

**Time allowed: 9:30am -12:30pm**

**Instructions to Candidates:**

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
- 4) Section **A** has one compulsory case study question carrying 30 marks.
- 5) Section **B** has **three** questions and only **two** are to be attempted. Each question carries 20 marks.
- 6) Section **C** has **three** questions and only **two** are to be attempted. Each question carries 15 marks.
- 7) Write your answer to each question on a fresh page in your answer booklet.

## SECTION A

*This section has one compulsory question to be attempted*

**Question 1 (30 marks)**

You have been appointed the auditor of Bwambale Enterprises Ltd located in Kisoro town. The company manufactures wooden chairs from Mahogany in Kisoro and sells completed chairs to retailers in Kampala. The company is managed by Mr Bwambale and two managers. Mr Bwambale is the sole person to authorize all important transactions such as wages and large orders, one manager maintains the creditor's ledger and orders inventory and pays suppliers, and the other manager receives customer orders and dispatches all completed chairs. Due to other business commitments Mr Bwambale only visits the office once per week. At any time, about 30 different types of chairs are available for sale. All sales are made cash with order – there are no receivables. Customers pay using cheques and occasionally sending cash. Turnover is over 520Millio per annum.

You are planning the audit of Bwambale Enterprises and are considering using some of the procedures for gathering audit evidence recommended by ISA 500 as follows:

- I. Analytical procedures
- II. Inquiry
- III. Inspection
- IV. Observation
- V. Re-calculation
- VI. Confirmations
- VII. Re-performance

Required:

For EACH of the above procedures; explain its use in gathering audit evidence.



**SECTION B**

*Attempt two of the three questions in this section*

**Question 2**

On 31 January 2014 the Public Accounts Committee (PAC) of the parliament of Uganda, questioned government officials over their head of procurement directorate. He was allegedly recruited through a 'backdoor' process. Two members of the committee expressed distress that the consultant earns US \$19,000 (more than Shs 47 million) per month yet his subordinates are paid much less.

The officials explained that the consultant was initially hired on 24 November 2010 to help build capacity to handle procurement deals. They insisted that it was the institution which requested the World Bank to help them recruit an international consultant to build capacity in the procurement department, now a directorate. They further told the committee that the job was advertised on the World Bank website. The Consultant submitted letters to PAC to prove that his contract had been renewed by the Attorney General a week earlier.

**Adapted from *Daily Monitor* newspaper of Friday, January 31, 2014.**

**Required:**

Critically evaluate (arguments for and against) the decision to award the consultant such a high level of reward in comparison with local rates of pay.

**(20 marks)**

**Question 3**

A practising accountant shall take reasonable steps to identify circumstances that could pose a conflict of interest. Such circumstances may create threats to compliance with the fundamental ethical principles. Therefore, he/ she should evaluate the significance of any threats and apply the necessary safeguards to eliminate the threats or reduce them to an acceptable level.

**Required:**

Using the professional code of ethics:

(a) Define 'conflict of interest'.

**(2 marks)**

(b) According to ICPAU's code of ethics, threats to independence include: self review, self interest, familiarity, intimidation and advocacy.

Give at least **two** circumstances in which each of the above threats might occur, showing how objectivity could be impaired. **(10 marks)**

(c) Discuss how conflict of interest could be handled in each of the cases specified in (b) above could be handled. **(8 marks)**

**(20 marks)**

#### Question 4

- a) The objective of International Standard on Auditing (ISA) 500: Audit Evidence, is to design and perform audit procedures to enable the auditor to obtain sufficient appropriate audit evidence to enable reasonable conclusions on which to base an audit opinion.

**Required:**

→ Explain the key types of procedures that the auditor can adopt to obtain audit evidence. **(10 marks)**

- (b) ISA 700: Forming an Opinion and Reporting on Financial Statements explains the form and content of audit reports.

**Required:**

Explain briefly the **three** forms in which an auditor's report may be modified. **(5 marks)**

- (c) Explain the benefits and limitations of a statutory audit.

**(5 marks)**

**(Total 20 marks)**

### SECTION C

Attempt **two** of the **three** questions in this section.

#### Question 5

Professional accountants in Uganda registered their own savings and credit cooperative society (SACCO) in October 2013. They have been very excited and have continued to buy shares and make monthly savings to promote their own.

In her speech, during the special general meeting held in March 2014, the chairperson Members' Services Committee of the Institute of Certified Public Accountants of Uganda cautioned that this was a testing time for accountants.



They are known for putting things right and advising other people among other things; but now is the time to do what we tell others: 'live the sermon' or 'walk the talk'. We expect corporate governance at its best, murmured one of the accountants at the end of the meeting.

**Required:**

- (a) Explain the term 'code of corporate governance'. **(3 marks)**
  - (b) Discuss the general purposes of such a code of corporate governance to the SACCO named above. **(12 marks)**
- (Total 15 marks)**

**Question 6**

The Code of Ethics for Certified Public Accountants of Uganda gives ethical standards expected of all accountants and fundamental principles they must conform to.

**Required:**

Explain the importance of ethical principles for accountants in business. **(10 marks)**

**Question 7**

- (a) Describe the principle of professional behaviour. **(3 marks)**
- (b) The Anti-Homosexuality Bill, 2023 has been passed by Parliament and presented to H.E. the President of the Republic of Uganda to be signed into Law.

**Required:**

- i) Would you advise the President to sign the Bill into Law? **(3 marks)**
- ii) Discuss the moral, economic and other consequences that may arise if the Bill is assented to and signed by the President. **(7 marks)**

**(Total 10 marks)**