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FACULTY OF ADMINISTRATION & MANAGEMENT SCIENCES
DEPARTMENT OF ACCOUNTING

2018/2019 HARMATTAN SEMESTER EXAMINATIONS

ACC 401: AUDITING & ASSURANCE 1

INSTRUCTIONS: Attempt question 1 and any three (3) questions in all.

Duration: 2hrs

1. Paragraph 5 of the auditors' operational standard requires the auditor to conduct a review of the financial statements as a whole, so as to have a reasonable basis for his audit opinion. You are required to:
 - (a) What is analytical review? State any three (3) objectives of analytical review.
 - (b) State the purposes of an audit work review. Highlight what the reviewing auditor would need to be satisfied with when conducting a review of the financial statements as a whole.
 - (c) Describe the management's responsibilities and auditor's responsibilities alongside audit procedures in relation to review of: (i) Subsequent Events (ii) Going concern (iii) Directors' Report (iv) Related Party (25 marks)
2. Assurance engagement is an assignment in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended user, other than the responsible party, about the outcome of the evaluation or measurement of a subject matter against criteria. You are required to:
 - (a) Describe the two (2) categories of assurance engagement. State and explain briefly the elements of an assurance engagement.
 - (b) Explain the term 'expectation gap'. State any three (3) examples of the misunderstanding inherent in the public expectation of the role of external auditors alongside with how it can be bridged. (15 marks)
3. ISA 300 on 'Audit Planning' is critical in audit engagement. It involves the establishment of the overall audit strategy and developing an audit plan in order to reduce audit risk into an acceptably low level. You are required to:
 - (a) Discuss the preliminary and planning engagement activities involved. What other additional considerations are required for the planning of initial audit engagements.
 - (b) State any four (4) benefits derivable from adequate planning of audit of financial statements. (15 marks)
4. ISA 500 titled 'Audit Evidence' establishes standards and provides guidance as to the auditor's responsibility to perform audit procedures to obtain sufficient appropriate audit evidence so as to draw reasonable conclusions on which to base his opinion. You are required to:
 - (a) Discuss, with examples, the sufficiency and appropriateness of the following: (i) Self-generated audit evidence; (ii) Internally-generated audit evidence; and (iii) Externally-generated audit evidence.
 - (b) State the general considerations which auditors must bear in mind when evaluating audit evidence. (15 marks)
5. Internal control activities may be described as policies, procedures and operations that help to enable management directives to be carried out. These activities are detailed procedures designed to prevent, or to detect and correct material errors and misstatements that may arise in processing information. You are required to:
 - (a) State the five (5) types of control activities and illustrate each one in the context of purchases or trade payable system.
 - (b) Explain why, even where tests of controls prove satisfactory, substantive testing can never be completely eliminated during audit. (15 marks)
6. HCM Nigeria Plc has been operating for 20 years and your firm took over the audit 5 years ago. Your partner has reviewed the audit file for the year ended December 31, 2018 and has approved the issuance of a modified opinion. You are required to:
 - (a) In accordance with ISA 705, evaluate the circumstances in which a matter could be both material and pervasive in its effect on the financial statements.
 - (b) Discuss the different types of modifications known to you. (15 marks)