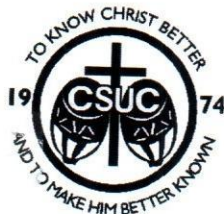


Date Index Number..... Signature.....



**CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI, GHANA**

CSUC SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

BACHELOR OF SCIENCE IN BUSINESS ADMINISTRATION

END OF FIRST SEMESTER EXAMINATIONS – 2021/22 ACADEMIC YEAR

LEVEL 400

CSBA 416: AUDITING AND ASSURANCE

JANUARY, 2022

80 MARKS

TIME ALLOWED: 3 HOURS

GENERAL INSTRUCTIONS TO CANDIDATES

- There Are **Five (5)** Questions in all of Equal Marks
- You Are to Attempt Any **Four (4)** Questions
- Write your index number on top of the question paper and every page of the answer booklet used.

QUESTION ONE

(a)ISA 210: Agreeing the terms of audit engagements requires that auditors should issue a letter of engagement before commencement of the audit. Required:

i) What is the purpose of an engagement letter? **(1 mark)**

ii) Identify FOUR (4) important information that the engagement letter should contain.

(4 marks)

b) The objective of the auditor per ISA 210: Agreeing the terms of audit engagements is to accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed. One way to do this is to establish whether the preconditions for an audit are present. Required: What are the preconditions to be assessed? **(5 marks)**

c) You have completed the audit engagement for ABC Company Ltd and the engagement partner has asked the audit manager to bring the draft communication with those charged with governance for discussion.

You were among the audit field staff who performed the audit and prepared the working papers and documented issues for management's considerations.

Required: Discuss the main matters that should be included in the communication with those charged with governance. **(10 marks)**

(Total: 20 marks)

QUESTION TWO

a) ISA: 505 External Confirmations states that 'the auditor should determine whether the use of external confirmations is necessary to obtain sufficient appropriate audit evidence at the assertion level'. An Auditor may obtain external confirmations from third parties to corroborate the audit evidence already available with the auditor. The Auditor shall determine whether positive or negative request is appropriate given the condition. Responses or events of non-responses are required to be evaluated. Responses may be unreliable if they are served indirectly to the auditor, not served by the intended person or transmission is compromised and the auditor may have to perform additional procedures to resolve doubts and suspicion. In events of non-responses or management refusal to permit the auditor to seek confirmations, the auditor shall assess if modification in the auditor's report is necessary.

Required:

Explain FOUR (4) examples of external confirmations and for each one identify:

i) an audit assertion that the external confirmation supports; and ii) an audit assertion that the external confirmation does NOT support. **(10 marks)**

b) Sowah Quartey & Co., a firm of Auditors with a number of clients listed on the Ghana Stock Exchange, recently held a staff training session on quality control. During the session, staff raised matters from their experience relating to the ethical code on independence. Some of these matters are outlined below:

Date Index Number..... Signature.....

i) Shortly before commencing the final audit of a large listed company, a Junior Staff member on the audit team inherited a substantial number of shares in that company. No action was taken because, although representing a large investment for the staff member concerned, the number of shares was totally immaterial with respect to the company. Moreover, the partner knew that if the company's results are announced, there will be a rise in the share price and he did not think it was fair to require the staff member to sell them beforehand. (5 marks)

ii) The Management Accountant of another listed client company had an accident and was away from work for three months. At the time of the accident, the audit senior was winding up the prior year's audit. Given his familiarity with the company's management accounting system, it was agreed that he would take over as Management Accountant for the three months. (5 marks)

Required: Discuss whether Sowah Quartey & Co had complied with the IFAC's Code of Ethics or had acted unprofessionally in any other way with respect to each of the above scenarios.

(Total: 20 marks)

QUESTION THREE

Future Prospects Company Ltd is a multinational company operating in Ghana. Its core operations include management of pension funds and real estate development. In preparing the financial statements, they carry out an appraisal of the pension funds to assess its ability to pay benefits to contributors. Periodic revaluation of lands and building was also carried out.

Required:

a) In respect of valuation of pension funds, future payments to beneficiaries and revaluation of properties, name two auditor's experts on whom possible reliance will be placed on during your audit of the company and the work each may perform. (4 marks)

b) Outline FOUR (4) factors you will consider when deciding to appoint an auditor's expert.

(8 marks)

c) Outline FOUR (4) procedures you will follow to determine whether you can place reliance on work performed by an auditor's expert. (8 marks)

(Total: 20 marks)

QUESTION FOUR

a) The IFAC Code of ethics governs the practice of auditing to ensure that practitioners will act in the public interest. Furthermore, in an audit, many relevant auditing standards must be followed to perform work that will serve the needs of users of the Auditor's report. Required: Explain each of the FIVE (5) fundamental principles of the Code of Ethics and conduct for professional audit practitioners. (5 marks)

b) ISA 570: Going Concern guides auditors to ensure that an entity can continue to operate into the foreseeable future.

Required: State TWO (2) audit tests necessary to ascertain whether an entity is a going concern. (5 marks)

c) Auditor appointment, dismissal, and remuneration is regulated by Companies Act 2019, (Act; 992). Required:

i) How are auditors of Limited Liability companies:

- Appointed. (3 marks)
- Remunerated. (2 marks)

ii) What may cause auditors to resign from their appointments?

(5 marks)

(Total: 20 marks)

QUESTION FIVE

a) An Internal Auditor is part of the management Internal Control System. However, it is possible to list the other work that internal auditors might do under the following broad heading:

- Value for money audit
- Best value Audit Required: Explain the differences between Value for money audit and best value audit. (5 marks)

b) To prepare an audit strategy and an audit plan, the Auditor will need to gain an understanding of the entity and its environment in accordance with ISA 315 "Identifying and assessing the risk and material misstatement through understanding the entity and its environment".

Required: i) State FIVE (5) sources from which the Auditor can obtain knowledge of the industry and the organisation. (5 marks)

ii) Identify FIVE (5) components that together make up internal controls. (5 marks)

iii) Define the concept of risk-based auditing. (3 marks)

c) Materiality is a fundamental concept in both auditing and accounting. Framework for the preparation of financial statement states that Information is material if its omission, misstatement or non-disclosure could influence economic decisions of users taken based on the financial statements.

Required: State TWO (2) instances which require the Auditor to apply the concept of materiality. (2 marks)

(Total: 20 marks)