



ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION

**HIGHER EDUCATION EXAMINATIONS COUNCIL
(HEXCO)**

HIGHER NATIONAL DIPLOMA

IN

ACCOUNTING

SUBJECT: Auditing

PAPER NO: 707/S01

MARCH/APRIL 2013 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

- 1. Answer ANY FIVE (5) questions.**
- 2. Cite relevant cases.**

This paper consists of 3 printed pages.

QUESTION 1

- a) Explain the concept of True and Fair presentation. (4 marks)
- b) List six (6) matters that should be included in:
- i) Engagement letter (3 marks)
 - ii) Management representation letter (3 marks)
- c) Identify five (5) various ways/circumstances in which the auditor's independence may be threatened. For each threat, suggest ways of mitigating each threat you identify. (10 marks)

QUESTION 2

- a) Define the term 'audit trail' and explain how the use of computerised systems may lead to the loss of the audit trail. (12 marks)
- b) As auditor of a computerised system, how would you overcome the problem of loss of the audit trail? (8 marks)

QUESTION 3

A company employs 450 workers at its three (3) factories in Mutare, the light industrial sites and heavy industrial sites. Payments of wages are prepared from Head Office at the light industrial sites offices.

- a) As the Internal Audit Manager, what control do you expect in the wages payment cycle? (10 marks)
- b) What audit procedures would you perform to satisfy yourself as to the accuracy and completeness of the wages bill? (10 marks)

QUESTION 4

- a) Discuss the value of having the accounting records of the business audited. (5 marks)
- b) Discuss this statement: "the detection of fraud and error is the main objective of an audit." (5 marks)
- c) Briefly define the following:
- i) Walk-through tests (2 marks)
 - ii) Compliance procedures (2 marks)
 - iii) Substantive procedures (2 marks)
 - iv) Analytical review procedures (2 marks)
 - v) Representation letter (2 marks)

QUESTION 5

At a pre-audit meeting, the audit senior in agreement with the audit partner, advised all members of staff that as part of on the job training, they will require each member of staff to come up with an audit programme for both interim and final audit. The audit programmes will be reviewed by the senior before being included in the overall Audit Plan. The audit senior advises you that you will be in charge of stocks. Discuss how you would go about planning work for your section.

(20 marks)

QUESTION 6

“Auditors are not bloodhounds but watchdogs.” Critically analyse this statement, discussing the roles of the auditor as far as detection of errors and fraud is concerned. Cite at least two cases.

(20 marks)

QUESTION 7

- a) Explain the situations where an auditor may disclose confidential information about a client. (8 marks)
- b)
 - i) Define audit documentation. (2 marks)
 - ii) Explain the objects and functions of audit working papers. (6 marks)
 - iii) List four (4) characteristics common to all audit working papers. (4 marks)

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