



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

**BACHELOR OF COMMERCE HONOURS DEGREE IN
ACCOUNTING**

AUDIT SKILLS

HACC 212

PART 2 SEMESTER 1 EXAMINATION

TOTAL MARKS [100]

DATE : OCTOBER 2024

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

1. Examine the three types of engagements in auditing. (25)
2. Examine any five roles of internal auditing in an organisation of your choice. (25)
3. Explain the assertions of audit evidence as laid down in ISA 500. (25)
4. You are the audit supervisor of Seagull & Co and are currently planning the audit of your existing client, Eagle Heating Co (Eagle), for the year ending 31 December 2014. Eagle manufactures and sells heating and plumbing equipment to a number of home improvement stores across the country. Eagle has experienced increased competition and as a result, in order to maintain its current levels of sales, it has decreased the selling price of its products significantly since September 2014. The finance director has informed your audit manager that he expects increased inventory levels at the year end. He also notified your manager that one of Eagle's key customers has been experiencing financial difficulties. Therefore, Eagle has agreed that the customer can take a six-month payment break, after which payments will continue as normal. The finance director does not believe that any allowance is required against this receivable. In October 2014 the financial controller of Eagle was dismissed. He had been employed by the company for over 20 years, and he has threatened to sue the company for unfair dismissal. The role of financial controller has not yet been filled and so his tasks have been shared between the existing finance department team. In addition, the purchase ledger supervisor left in August and a replacement has been appointed in the last week. However, for this period no supplier statement reconciliations or purchase ledger control account reconciliations were performed. You have undertaken a preliminary analytical review of the draft year to date statement of profit or loss, and you are surprised to see a significant fall in administration expenses.

Required:

Explain any FIVE audit risks, and the auditor's response to each risk, in planning the audit of Eagle Heating Co. (25 marks)

5. Assess the basic elements of the Auditor's Report with illustration of Opening and opinion paragraphs. (25)
6. Examine the process of auditing in an organization of your choice. (25)

END OF PAPER