



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE
BACHELOR OF COMMERCE HONOURS DEGREE IN
ACCOUNTING
AUDIT PROCESS
HACC 218
PART 2 SEMESTER 2 EXAMINATION

TOTAL MARKS [100]

DATE: DECEMBER 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

QUESTION 1

In modern and complex business organisation structures involving separations of the ownership and management function, the role of an external auditor has become increasingly important. **Required:**

- a) Explain the main objectives of an audit. (15 marks)
- b) Explain five ways in which these objectives are achieved by an audit function. (10 marks)

QUESTION 2

The International Federation of Accountants believes “the Code of Ethics of any accounting body should be based upon the fundamental principles by which an accountant should be governed in the conduct of his professional relations with others’.

Required: Explain the professional ethics requirements as they affect accountants in practice on:

- a) Independence (10 marks)
- b) Integrity (8 marks)
- c) Objectivity (7 marks)

QUESTION 3

Statutory audits are requirement for certain forms of organisations and therefore must be performed to conform to certain standards.

Required:

Discuss the importance of Audit engagement letter on the part of a statutory auditor before commencement of his/her duty/audit work. (25 marks)

QUESTION 4

The auditor is a watch-dog, but not a blood hound, discuss how far this statement finds its relevance in relation to the functional responsibility of statutory auditor. (25 marks)

QUESTION 5

By internal control is meant not only internal check and internal audit but the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its records.

Required:

Explain the objectives and characteristic of a satisfactory system of internal control. (25marks)

QUESTION 6

For several years, the CA firm of Mhlanga, Reed and Co. has audited Cobra Corporation, a closely held manufacturing company that is not under SEZ authority's jurisdiction. Cobra is now planning to "go public", issuing common shares to the public and using the proceeds to finance growth. The planned stock offering would put the company under the jurisdiction of the SEZ authority.

Required:

Discuss the reasons why the CA firm's potential legal liability with respect to this client will increase substantially if the company "goes public" (25 marks)

END OF PAPER