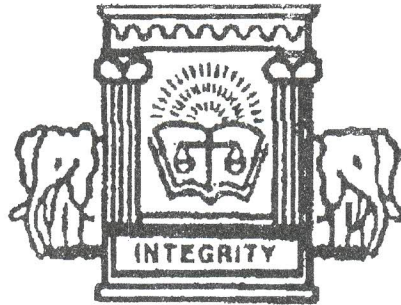


**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS (GHANA)**



**NOVEMBER 2005 EXAMINATIONS  
(PROFESSIONAL)**

**PART 2**

**AUDIT AND INTERNAL REVIEW  
(Paper 2.6)**

Attempt ALL Questions

**TIME ALLOWED: 3 HOURS**

## QUESTION 1

Your audit firm has been auditing Slow But Sure Company Limited for a number of years. The firm has started preparations for the audit of the company's accounts for the year-ending 31<sup>st</sup> December 2005. At various planning meetings, a number of issues were discussed including the audit planning process and the inherent limitations of an audit.

### Required:

- (a) Explain the inherent limitations of an audit. (10 marks)
- (b) Describe the process of audit planning. (10 marks)

**(Total: 20 marks)**

## QUESTION 2

The accountancy profession is regulated by statutes and accounting and auditing standards. All professional accountants must have detailed knowledge about the statutory and professional requirements.

### Required:

- (a) Explain the professional code of conduct relating to confidentiality of information acquired during an audit engagement. (15 marks)
- (b) Describe five (5) basic elements of the Auditors' report. (5 marks)

**(Total: 20 marks)**

## QUESTION 3

You have recently been promoted to the level of an Audit Senior in one of the leading Audit firms in Ghana; CoAdams and Associates based in Salaga in the Northern Region.

**You are required in this capacity to address the concerns below:**

- (a) To what extent must one consider the client's Internal Control? (5 marks)
- (b) What are the procedures used to obtain an understanding of Internal Control? (5 marks)

- (c) How should you document your understanding of Internal Control? (5 marks)
- (d) What is meant by assessing control risk? (5 marks)

**(Total: 20 marks)**

#### QUESTION 4

To be able to form the right conclusions and express an appropriate audit opinion, the auditor will have to collect sufficient appropriate audit evidence through the performance of tests of control and test of the details of transactions and balances and analytical review.

##### Required:

- (a) State five (5) tests that the auditor can use to confirm the ownership of freehold land and buildings. (5 marks)
- (b) Explain how the auditor determines the following characteristics of audit evidence.
- i. Sufficiency
  - ii. Reliability
  - iii. Relevance
- (15 marks)

**(Total: 20 marks)**

#### QUESTION 5

- (a) Specify five (5) control procedures relevant to each of the following:
- i. Ordering of goods
  - ii. Invoicing and returns of goods purchased.
- (10 marks)
- (b) State five factors which determine the type and extent of tests to be included in an audit programme. (5 marks)
- (c) Specify five (5) uses of audit software in substantive testing. (5 marks)

**(Total: 20 marks)**