

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



**NOVEMBER 2005 EXAMINATIONS
(PROFESSIONAL)**

PART 3

**ASSURANCE & AUDIT PRACTICE
(Paper 3.2)**

Attempt ALL Questions

TIME ALLOWED: 3 HOURS

QUESTION 1

You have finished the planning of the audit of Kofi Baboni Company Limited for the year ended 31st October, 2005. Your audit strategy includes systems work, transaction testing, verification of assets and liabilities and use of analytical procedures as substantive tests during the audit.

Required:

- (a) Outline audit procedures to confirm the existence and ownership of shares held as investments. (5 marks)
- (b) Outline the procedures you will follow to audit stated capital on the Balance Sheet. (6 marks)
- (c) Describe three (3) types of analytical procedures and how they can be used during an audit as part of substantive procedures. (9 marks)

(Total: 20 marks)

QUESTION 2

You are an Audit Manager in a firm that audits several companies listed on the Ghana Stock Exchange. Owing to audit failures of high profile companies in recent past, all the Audit Managers in the firm had been made to undergo a Refresher Course (Continuous Professional Education Programme) in Quality Control for Audit work.

Required:

- (a) List and explain the purpose and principles of quality control. (10 marks)
- (b) Describe the conditions necessary for the issue of unqualified opinion. Your answer should distinguish between statutory and professional requirements. (10 marks)

(Total: 20 marks)

QUESTION 3

With the advancement and evolution of Information Technology for processing financial information as well as the use of the internet for trading, auditors for trading, auditors find themselves where the computer presents opportunities for carrying out an audit as well as increased risks in the performance of their work.

Required:

- (a) Enumerate and explain auditing problems in relations to e-commerce. (15 marks)

- (b) During the conduct of the audit on the e-commerce client, you discovered a number of weaknesses in the client's system including.
- i. haphazard allocation and use of passwords
 - ii. Non-backing up of data processed

Draft appropriate paragraphs on the weaknesses stated above for inclusion in the management letter to the client's Management. (5 marks)

(Total: 20 marks)

QUESTION 4

In recent years many high profile companies have collapsed not long after clean auditor' reports were issued. The situation has raised a lot of concerns among investors, government and regulators.

In a recent case it was revealed that the auditors had compromised their independence. In the light of this, there have been wake up calls for auditors to pay more attention to independence considerations and conflicts of interest in the performance of their duties. They should tighten quality control procedures.

Required:

- (a) Critically analyse the concept of "True and Fair View". (5 marks)
- (b) Outline the procedures you will follow to ensure the completeness, accuracy and validity of opening balances and comparatives not subjected to audit during the previous year to ensure that the financial statements you are auditing give a true and fair view. (5 marks)
- (c) Enumerate and explain five (5) sources of professional risk and how to handle them in order to ensure the auditors' independence. (10 marks)

(Total: 20 marks)

QUESTION 5

Your firm 'We Are Always Ready and Co' is the auditor of Asawase Group of Companies (a parent company) with subsidiaries in Ghana only. The accounting systems of all the companies in the group are computerised but some of the subsidiary Companies are not audited by you.

Required:

- (a) Explain the types of fraud that may be encountered during the audit of computerised systems. (5 marks)
- (b) State five tests you will perform during purchases fraud investigation. (5 marks)
- (c) List and briefly describe the audit work you would perform to verify that the work carried out by other audit firms, who are auditors of subsidiaries of the group, is satisfactory on your appointment as auditor of the Parent Company. (10 marks)

(Total: 20 marks)