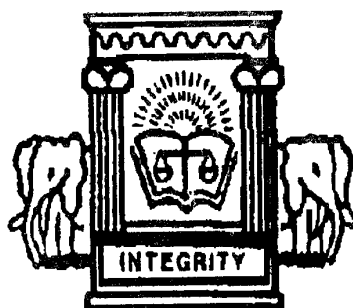


**THE INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**MAY 2007 EXAMINATIONS
(PROFESSIONAL)**

PART 3

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

Attempt ALL Questions

TIME ALLOWED: 3 HOURS

QUESTION 1

Atiku, Fortune, Prosper and Co. a firm of Chartered Accountants has appointed you to audit manager position after working in the firm as audit senior for four years. Your first assignment as audit manager involved an existing client.

Required:

- (a) List and describe the work you will carry out in monitoring and controlling the progress of the audit. *(10 marks)*
- (b) As part of staff briefing for the audit explain the rules of confidentiality in the performance of audit work. *(10 marks)*
- (Total: 20 marks)**

QUESTION 2

The draft accounts of Yenti Gyaee Company Limited, a listed company, contained the following in respect of the 2006 financial year ending 31st December.

Income Surplus Account	
	¢000
Balance (Deficit) at 01/01/2006	(200)
Profit for the year	450
Transfer from capital surplus	<u>350</u>
Total available	600
Interim dividends paid	(300)
Proposed final dividend	<u>(200)</u>
Balance at 31/12/2006	<u><u>100</u></u>

Required:

- (a) What consideration will you bring to bear to determine whether the actions of the directors as revealed and reflected in the draft accounts is lawful and appropriate *(10 marks)*
- (b) State the audit tests you will perform during the audit of the income surplus account in the financial statements of a client. *(10 marks)*
- (Total: 20 marks)**

QUESTION 3

Your firm has just been appointed as the principal auditors of Ghana @ 50 Holdings Company Limited. The company has six subsidiary companies including two in French Speaking ECOWAS countries.

You are the engagement partner for this assignment.

Required:

- (a) List and briefly describe the audit work you will carry out during the first audit to verify the work done by other audit firms which are the auditors of the subsidiaries.

(15 marks)

- (b) Assess the effect of qualifications in the audit reports of subsidiaries not audited by you on your report on the group accounts.

(5 marks)

(Total: 20 marks)

QUESTION 4

- (a)

The system of quality control for audit practice requires a comprehensive and suitably designed quality control system, encompassing the firm's organization structure, internal policies and procedures.

The extent of a firm's system of quality control will depend on, among other considerations, its size and organization structure, the nature of the practice, the cost and expected benefits. A big firm will have a far more extensive system than a single office local firm.

You are the audit manager of a single office local audit firm, Adie Pena Co.

Required:

Describe briefly the nature and explain the elements of quality control systems to be designed and instituted by a local firm of practising accountants which specializes in the provision of audit and assurance services.

(12 marks)

- (b)

Mr. Dahupur is an Indian, who has set up a company to generate Electricity to augment the minimal stock of electricity that has led to recent load shedding management regime.

Mr. Dahupur is concerned with governance issues and has asked you as the audit senior in charge of the audit of Dahupur and Sons Company Ltd of which Mr. Dahupur is the Chief Executive, to explain why the need for an Audit Committee on the Board of Directors.

Required:

State and explain the advantages of having an audit committee in a company's board.

(8 marks)

(Total: 20 marks)

QUESTION 5

(a)

Moniyor and Co; Chartered Accountants has migrated fully from manual system onto Computer-based System for performing audit assignment.

The staff partner has detailed you to organize an orientation session for two newly recruited staff on the basics of Computer Assisted Audit Techniques (CAATS),

Required:

State and explain the major categories of tests under Computer Assisted Audit Techniques (CAAT) and their audit objects.

(10 marks)

(b)

The Finance Director of Adansi Mining Ltd informed you that the valuation of the company's Land and Building included in the accounts which your company is auditing was based on third party expert work.

You have found out that the carrying amount of land and Building in the accounts was actually the expert's valuation.

Required:

Outline how you would assess the appropriateness of the valuation of Land and Building in the accounts based on the expert's work.

(10 marks)

(Total: 20 marks)