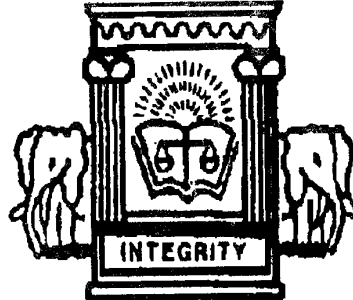


**THE INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**MAY 2009 EXAMINATIONS
(PROFESSIONAL)**

PART 2

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

Attempt ALL Questions

TIME ALLOWED: 3 HOURS

QUESTION 1

- (a) Audit Sampling is the application of audit procedures to less than 100% of the items within an account balance or class of transactions to enable the auditor to obtain and evaluate audit evidence about some characteristics of the items selected in order to form or assist in forming a conclusion concerning the population.

You are required to:

- (i) State **four (4)** situations where 100% check is still necessary. *(4 marks)*
- (ii) Briefly describe **five (5)** sampling methods available to the auditor for selecting items during the conduct of audit. *(10 marks)*
- (b) Auditors usually express different types of opinion depending on their final conclusion. As an audit trainee of ABC consult, a firm of Chartered Accountants distinguish between “Disclaimer of Opinion” and “Adverse Opinion”. *(6 marks)*

Total: 20 marks

QUESTION 2

- (a) The main problems faced by the auditor in a computerized environment include the possible loss of visible audit trail.

You are required to identify any **five (5)** reasons why audit trail may be lost.

- (5 marks)*
- (b) Describe the contents of management letter. *(5 marks)*
- (c) Distinguish between statutory and non-statutory audit. *(5 marks)*
- (d) Describe the features of an adequate accounting system. *(5 marks)*

Total: 20 marks

QUESTION 3

Examination of evidence is fundamental to audit process. The International Standards on Auditing requires that the auditor should obtain relevant and reliable audit evidence sufficient to enable him to draw reasonable conclusion therefrom. The auditor may obtain audit evidence by adopting one or more procedures.

(a) Explain the term 'audit evidence' and state what it comprises.

(3 marks)

(b) As a trainee auditor in ABC consult, a firm of Chartered Accountants, explain the following as procedures for obtaining audit evidence. For each procedure provide one example of its use during the course of an audit stating clearly in each case the purpose of carrying out the procedure.

(i) Observation

(ii) Enquiry

(iii) Inspection

(iv) Analytical procedures

(12 marks)

(c) Twumasi Ltd is a very large organisation with about one thousand employees.

Discuss the role of an internal audit department in such an organisation.

(5 marks)

Total: 20 marks

QUESTION 4

An auditor is required to obtain knowledge of the business of the client so as to identify and understand the events, transactions and practices that may have significant effect on the financial statements or the audit. The staff partner has asked you to provide a note on knowledge of a client's business dissemination to other staff.

Required:

(a) State **six (6)** sources from which an auditor can obtain knowledge of the client's business.

(6 marks)

(b) Provide **six (6)** uses that knowledge of a client's business and industry may be put to in the course of an audit.

(10 marks)

(c) State **four (4)** factors that will be relevant to your assessment of your client's control risk.

(4 marks)

Total: 20 marks

QUESTION 5

Internal control procedures are defined as those policies and procedures in addition to the control environment which management has established to provide reasonable assurance that specific entity objectives will be achieved.

Required:

(a) As the auditor of Gyabah Ltd clearly detail the substantive tests you will conduct in the audit of investment of your client's operations.

(10 marks)

(b) State the ethical and statutory matters an auditor should consider when deciding on acceptance of appointment as auditor of a Limited Liability Company.

(10 marks)

Total: 20 marks