

Chapter # 1: Concepts and Need for Assurance**Section 1: The Meaning of Audit**

- Q. 1 What are the overall objectives of an auditor? (04)
(CA Inter, Autumn 2001, Amended)
- Q. 2 Briefly discuss the term “true and fair view” in the context of an audit. (05)
(CA Inter, Spring 2004)

Section 2: The Meaning of Assurance

- Q. 3 What do you understand by the term "Assurance Engagement"? Discuss its types. What are its elements? (09)
(ICMA Pakistan, Winter 2007)
- Q. 4 What is the difference between an “assurance engagement” and an “audit engagement”? (02)
(CA Inter, Spring 2003)
- Q. 5 Briefly discuss the level of assurance given in the following types of engagements:
i. Audit
ii. Review
iii. Agreed upon procedures
iv. Compilation (06)
(CA – Inter, Spring 2005)
- Q. 6 Besides providing statutory audit services, auditors can also provide other assurance services covering a broad category of services including both financial and non-financial matters.

Required:

Discuss the differences between auditing, review of financial information and performing an agreed upon procedures services. Your discussion should include the objective, comparative level of assurance, level of engagement risk and the report to be provided by each of the assurance services. (12 marks)

(MIA – March 2011)

Section 3: Statutory Audit - The Regulatory Framework

(Covered in Section 1 of Chapter 2)

Section 4: International Standards on Auditing (ISAs)

- Q. 7 What does the term ‘scope of audit’ refer to? How would you describe the “scope of audit” of a listed company? (04)
(CA Inter, Autumn 2004)

Section 5: Advantages and Limitations of Statutory Audits

- Q. 8 What are the advantages of an audit to an organization? **(05)**
(CA Inter, Spring 2004)
- Q. 9 Attempt Question # 2 (titled: Levels of assurance) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2009 (CA Inter).
- Q. 10 Is an auditor responsible for the detection and disclosure of every error and fraud? Discuss. **(06)**
(CA -Inter, Autumn 2003)

Chapter # 2: Obtaining an Engagement**Section 1: Obtaining and Accepting a new Audit Engagement**

- Q. 11 Under the Companies Ordinance, 1984 which persons are not qualified for appointment as auditors of companies?
(05 marks)
(CA Inter, Autumn 2003)
- Q. 12 (a) You have received a letter from the company secretary of ABC Group of companies on March 04, 2006. The group consists of four public limited unlisted companies. The secretary requested you to advise him as to who will have the authority to appoint new auditors in following situations relating to different companies of the group:
- The auditors of Company A will be retiring in August, 2006 on the conclusion of the Annual General Meeting of the company.
 - The auditors of Company B were removed by the members on March 02, 2006.
 - The auditors of Company C became disqualified on February 14, 2006.
 - The auditors of Company D resigned on January 28, 2006.
- (b) What would be the term of office of new auditors in the cases given above?
(08 marks)
(02 marks)
(CA Inter, Spring 2006)
- Q. 13 Attempt Question # 19 (titled: Companies Ordinance 1984) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2010 (CA Inter).
- Q. 14 Analyze the following independent situations with reference to qualification of statutory auditor:
- (i) Mr. Zakir Ali, a practicing chartered accountant, has been offered appointment in Heera Limited as external auditor. He was an employee of the company before he started his own practice.
- (ii) Diamond Associates (Pvt) Limited, a consultancy company, the majority of whose directors are chartered accountants, have been offered appointment as external auditor in Lal (Pvt) Limited whose share capital is less than Rs. 1.5 million.
- (iii) Miss Fatima Khan, a practicing chartered accountant, has been offered appointment in Neelam Limited as external auditor. She was an employee of the company's director two months before the offer.

(iv) Mr. Farid Hussain is a partner of Farid & Company, Chartered Accountants. The firm has been offered appointment in Feroza Limited as external auditor. Son of Mr. Farid holds shares of Feroza Limited.

(08 marks)

(CA Inter, Autumn 2006)

- Q. 15 Attempt Question # 24 (titled: Fruit and nuts) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2011 (CA Inter).
- Q. 16 Attempt Question # 15 (titled: Alpha) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2008 (CA Inter).
- Q. 17 Attempt Question # 7 (titled: Zaman and Bilal) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2012 (CA Inter).

Section 2: Agreeing the Terms of Audit Engagements

- Q. 18 Attempt Question # 23 (titled: SPL) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2011 (CA Inter).
- Q. 19 Attempt Question # 16a (titled: Engagement letter and documentation) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2008 (CA Inter).
- Q. 20 Attempt Question # 17 (titled: Shahid Corporation) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2008 (CA Inter).
- Q. 21 Attempt Question # 28 (titled: EL) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2012 (CA Inter).
- Q. 22 Attempt Question # 27 (titled: Changing terms) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2012 (CA Inter).
- Q. 23 Your audit firm has been appointed to conduct a full scope audit of the financial statements covering a period of three months of Clever Limited. Clever Limited needs the audit report for obtaining a bank loan. While verifying certain account heads you identify certain problems for which you are not provided satisfactory replies by the client. At the same time Clever Limited approaches you and asks you to change the scope of assignment from a full scope audit to a review assignment. They give you the reason that they have misunderstood the scope of assignment earlier. What course of action you would adopt in this situation? (06 marks)

(CA Inter, Spring 2003)

Chapter # 3: Planning and Risk Assessment

Section 1: Planning an Audit

- Q. 24 Attempt Question # 22 (titled: Acceptance and planning) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2010 (CA Inter).

- Q. 25 (a) Explain the difference between “The Overall Audit Strategy” and the “Audit Plan”. **(04)**
(b) Identify the matters which are usually discussed / explained in each of the above documents.
(12)

(CA Inter, Autumn 2008)

- Q. 26 Attempt Question # 4 (titled: Core Concepts) of ICAP’s Official Question Bank.
This question has been adopted from ICAP’s past paper, Spring 2009 (CA Inter).

- Q. 27 Attempt Question # 8 (titled: Audit Process) of ICAP’s Official Question Bank.

Section 2: Understanding the business and Materiality: ISA 250, 315, 320

- Q. 28 Attempt Question # 29(titled: Calm Co) of ICAP’s Official Question Bank.

- Q. 29 The auditor performs risk assessment procedures to obtain an understanding of the entity and its environment, including its internal controls. Briefly discuss all such procedures. **(09)**

(CA Inter, Autumn 2007)

- Q. 30 ISA 500 Audit Evidence states that the auditor obtains sufficient appropriate audit evidence to draw reasonable conclusions on which to base the audit opinion by performing audit procedures.

Required:

Explain each the following types of audit procedures:

- i. Risk assessment procedures.
- ii. Tests of controls.
- iii. Substantive procedures. (6 marks)

(MIA – September 2009)

- Q. 31 Describe the relationship between Materiality and Audit Risk.(04)

(PIPFA, Summer 2011)

- Q. 32 (a) Define “materiality”. Give two examples of qualitative aspects of materiality. **(04)**

(b) When does the auditor normally considers materiality during an audit? **(03)**

(CA Inter, Spring 2002)

- Q. 33 Explain the concepts of materiality and performance materiality in accordance with ISA 320
Materiality in Planning and Performing an Audit. (5 marks)

(ACCA F8 – June 2013)

- Q. 34 During the external audit of Indco Ltd (Indco), which provides industrial maintenance services, the audit senior discovered that the operations director, with the approval of the other directors of Indco, had instructed employees to breach statutory health and safety regulations so that the company would benefit from cost savings.

Explain the audit senior’s and the audit firm’s responsibilities in respect of this matter. **(3 marks)**

(ICAEW – December 2008)

Section 3: Audit Risk: ISA 330

- Q. 35 Define and explain the term “business risk”. 5

(ICMA Pakistan, Winter 2008)

- Q. 36 Explain what is meant by the following terms: (08)
(a) Audit Risk
(b) Inherent Risk
(c) Control Risk
(d) Detection Risk

(PIPFA, Summer 2011)

- Q. 37 Attempt Question # 25 (titled: Discussions and judgment) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2011 (CA Inter).

- Q. 38 List ten conditions or events that may indicate the risk of existence of material misstatement. (05)
(CA Inter, Autumn 2005)

- Q. 39 Abrahams Co develops, manufactures and sells a range of pharmaceuticals and has a wide customer base across Europe and Asia. You are the audit manager of Nate & Co and you are planning the audit of Abrahams Co whose financial year end is 31 January. You attended a planning meeting with the finance director and engagement partner and are now reviewing the meeting notes in order to produce the audit strategy and plan. Revenue for the year is forecast at \$25 million.

During the year the company has spent \$2.2 million on developing several new products. Some of these are in the early stages of development whilst others are nearing completion. The finance director has confirmed that all projects are likely to be successful and so he is intending to capitalise the full \$2.2 million.

Once products have completed the development stage, Abrahams begins manufacturing them. At the year end it is anticipated that there will be significant levels of work in progress. In addition the company uses a standard costing method to value inventory; the standard costs are set when a product is first manufactured and are not usually updated. In order to fulfil customer orders promptly, Abrahams Co has warehouses for finished goods located across Europe and Asia; approximately one third of these are third party warehouses where Abrahams just rents space.

In September a new accounting package was introduced. This is a bespoke system developed by the information technology (IT) manager. The old and new packages were not run in parallel as it was felt that this would be too onerous for the accounting team. Two months after the system changeover the IT manager left the company; a new manager has been recruited but is not due to start work until January.

In order to fund the development of new products, Abrahams has restructured its finance and raised \$1 million through issuing shares at a premium and \$2.5 million through a long-term loan. There are bank covenants attached to the loan, the main one relating to a minimum level of total assets. If these covenants are breached then the loan becomes immediately repayable. The company has a policy of revaluing land and buildings, and the finance director has announced that all land and buildings will be revalued as at the year end.

The reporting timetable for audit completion of Abrahams Co is quite short, and the finance director would like to report results even earlier this year.

Required:

Using the information provided, identify and describe FIVE audit risks and explain the auditor's response to each risk in planning the audit of Abrahams Co. **(10 marks)**

(ACCA F8 – December 2011)

Q. 40 Donald Co operates an airline business. The company's year end is 31 July 2011.

You are the audit senior and you have started planning the audit. Your manager has asked you to have a meeting with the client and to identify any relevant audit risks so that the audit plan can be completed. From your meeting you ascertain the following:

In order to expand their flight network, Donald Co will need to acquire more airplanes; they have placed orders for another six planes at an estimated total cost of \$20m and the company is not sure whether these planes will be received by the year end. In addition the company has spent an estimated \$15m on refurbishing their existing planes. In order to fund the expansion Donald Co has applied for a loan of \$25m. It has yet to hear from the bank as to whether it will lend them the money.

The company receives bookings from travel agents as well as directly via their website. The travel agents are given a 90-day credit period to pay Donald Co, however, due to difficult trading conditions a number of the receivables are struggling to pay. The website was launched in 2010 and has consistently encountered difficulties with customer complaints that tickets have been booked and paid for online but Donald Co has no record of them and hence has sold the seat to another customer.

Donald Co used to sell tickets via a large call centre located near to their head office. However, in May they closed it down and made the large workforce redundant.

Required:

Using the information provided, describe FIVE audit risks and explain the auditor's response to each risk in planning the audit of Donald Co. **(10 marks)**

(ACCA F8 – June 2011)

Q. 41 For each illustration given below, identify the component of audit risk which is most directly related to the illustration. **(10)**

- (i) A client fails to discover employee fraud on a timely basis because bank accounts are not reconciled monthly.
- (ii) Cash is more susceptible to theft than an item of fixed assets.
- (iii) Confirmation of receivable by an auditor fails to detect a material misstatement.
- (iv) Disbursements have occurred without proper approval.
- (v) Inadequate segregation of duties.
- (vi) Omission of a necessary substantive audit procedure.
- (vii) Susceptibility of loan receivable to material misstatement, assuming there are no related controls.
- (viii) Technological developments make a major product obsolete.
- (ix) For stock-in-trade perpetual inventory count system has not been established.
- (x) ABC company, a client, lacks sufficient working capital to continue operations.

(CA Final, Summer 2002)

Section 4: Fraud: ISA 240

Q. 42 Attempt Question # 20 (titled: ASPL) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2010 (CA Inter).

Section 5: Not-for-profit Organizations

- Q. 43 Greenling is a not-for-profit entity, whose main sources of revenue are annual subscriptions from members, grants, donations from the public and investment income.
- List six key factors that the external auditors should consider in their assessment of inherent risk when planning their audit of the financial statements of Greenling. **(3 marks)**
(ICAEW – June 2010)
- Q. 44 Attempt Question # 21 (titled: AMF) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2010 (CA Inter).
- Q. 45 Attempt Question # 33 (titled: Hajira) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2008 (F8).
- Q. 46 Attempt Question # 30 (titled: Azam) of ICAP's Official Question Bank.

Chapter # 4: Evidence and Sampling**Section 1: Audit Evidence: ISA 500**

- Q. 47 Attempt Question # 18 (titled: Assertions) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2009 (CA Inter).
- Q. 48 Explain the term "Sufficient and Appropriate Audit Evidence". **(04 marks)**
(CA Inter, Autumn 2010)
- Q. 49 Describe the criteria given in the International Standards on Auditing, to evaluate the reliability of audit evidence. **(06)**
(CA Inter, Autumn 2007)
- Q. 50 Attempt Question # 66 (titled: Cuddly World) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2006 2.6).
- Q. 51 You are the supervisor on the external audit of Plummer Ltd (Plummer) for the year ended 31 December 2011. Whilst performing the planned audit procedures in the week commencing 12 March 2012, the audit team noted the following issues in the schedule of unadjusted errors:
- (i) The balance on a trade receivable account, totalling £435,000, remains unpaid and is in dispute. No allowance against the receivable has been made.
 - (ii) Goods despatched and delivered to a customer on 2 January 2012 were included at £260,000 in both revenue and trade receivables at 31 December 2011. A member of the engagement team attended the year-end inventory count and obtained a copy of the count records.

The draft financial statements of Plummer for the year ended 31 December 2011 show profit before tax of £11.3 million.

Explain why further audit procedures are required and, for each of the issues, identify **one** relevant audit procedure to address the issue noted. **(4 marks)**

(ICAEW – March 2012)

Q. 52 Attempt Question # 13 (titled: Tahira and Parvez) of ICAP's Official Question Bank.

Section 2: Audit Documentation: ISA 320

Q. 53 Attempt Question # 1 part b (titled: Engagement letter and documentation) of ICAP's Official Question Bank.

This question has been adopted from ICAP's past paper, Spring 2008 (CA Inter).

Q. 54 Attempt Question # 52 (titled: Working papers) of ICAP's Official Question Bank.

This question has been adopted from ICAP's past paper, Spring 2010 (CA Inter).

Q. 55 Who is the owner of working papers? Can working papers be a substitute to the accounting records of a company? (02)

(CA Inter, Spring 2001)

Q. 56 What are the contents of:

- a) Permanent file (05)
- b) Current audit working paper files (05)

(CA Inter, Autumn 2000)

Q. 57 Attempt Question # 56 (titled: Guava & Co) of ICAP's Official Question Bank.

This question has been adopted from ICAP's past paper, Spring 2011 (CA Inter).

Q. 58 Attempt Question # 64 (titled: Glasses2Go) of ICAP's Official Question Bank.

This question has been adopted from ACCA's past paper, June 2007 (2.6).

Section 3: Audit Sampling: ISA 530

Q. 59 Attempt Question # 59 (titled: Wedge & Co) of ICAP's Official Question Bank.

This question has been adopted from ICAP's past paper, Spring 2012 (CA Inter).

Q. 60 Narrate the circumstances under which the auditor would resort to the following techniques while selecting items for tests of details and controls:

- (i) Selecting all items of a population. (03)
- (ii) Selecting specific items from a population. (05)

(CA Inter, Autumn 2013)

Q. 61 Identify the factors which influence the sample size for:

- (i) Tests of controls
- (ii) Tests of details. **(05)**

(CA Inter, Autumn 2008)

Q. 62 What do you understand by:

- (i) Statistical sampling; and **(02)**
- (ii) Stratification? **(02)**

(CA Inter, Spring 2007)

- Q. 63 Differentiate between the following:
(i) Statistical and non-statistical sampling
(ii) Sampling and non-sampling risk **(05 marks)**
(CA Inter, Spring 2011)
- Q. 64 Attempt Question # 62 (titled: Taskeen Co) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2006 (2.6).
- Q. 65 Attempt Question # 60 (titled: MWL) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2012 (CA Inter).
- Q. 66 Attempt Question # 47 (titled: Sales sampling) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2009 (CA Inter).
- Q. 67 Attempt Question # 55 (titled: ICAP Code of Ethics) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2011 (CA Inter).

Chapter # 5: Internal Control

Section 1: The importance of Internal Control

N/A

Section 2: The elements of Internal Control

- Q. 68 Briefly explain the components of internal control as referred to in the International Standards on Auditing. **(09)**
(CA Inter, Spring 2010)
- Q. 69 What do you understand by general and application EDP controls? Give two examples of each. **(10)**
(CA Inter, Autumn 2004)
- Q. 70 Distinguish following IT related controls between "General Controls" and "Application Controls".
(a) Transactions are properly authorized before processing.
(b) Recovery procedures for use in the event of intentional destruction.
(c) Access to computer operations is restricted.
(d) Testing and documentation of new revised systems.
(e) Access to output is restricted to authorized personnel.
(f) Output is provided on a timely basis to only authorized personnel.
(g) Incorrect entries are rejected and resubmitted on time.
(h) Transactions are not duplicated or lost.
(CA Final-Summer 1990, Amended)
- Q. 71 Identify the following under the headings of (i) Factors reflected in the Control Environment and (ii) specific controls procedures.
i. Approving and controlling of documents.
ii. Limiting direct physical access to assets and records.
iii. Management's control system including the internal audit functions, personnel policies and segregation of duties.

- iv. The function of the board of directors and its committees.
- v. Checking the arithmetical accuracy of the records. (5)

(CA Final, Winter 2000)

Q. 72 It is said that during an audit, evaluation of control environment in most of the cases is more important than the evaluation of the control procedures. What is the logic behind this? **(03)**

(CA Inter, Spring 2003)

Q. 73 Distinguish the following between control environment and control procedures:

- (a) reporting, reviewing and approving reconciliation;
- (b) the function of the board of directors and its committees;
- (c) checking the arithmetical accuracy of the records;
- (d) maintaining and reviewing control accounts and trial balances;
- (e) defined and documented code of ethics. **(5)**

(CA Inter, Spring 2002, Amended)

Q. 74 Attempt Question # 35 (titled: Controls) of ICAP's Official Question Bank.

This question has been adopted from ICAP's past paper, Spring 2008 (CA Inter).

Q. 75 Attempt Question # 38 (titled: Danish) of ICAP's Official Question Bank.

This question has been adopted from ACCA's past paper, December 2004 (Paper 2.6).

Section 3: Limitations of Internal control systems

Q. 76 You had assisted management in strengthening the internal control system for a medium size limited company about a year ago. The management has recently pointed out that the occurrences of frauds and errors have reduced significantly, but could not be eliminated altogether. You are required to offer your comments on the above situation with reference to limitations of any system of internal control. **(04)**

(CA Inter, Autumn 2005)

Q. 77 What do you understand by control environment and control procedures? **(02)**

(CA Inter, Spring 2003)

Section 4: Evaluation of controls and audit risk assessment

Q. 78 What do you understand by a 'Management Letter'? **(02)**

(CA Inter, Spring 2003)

Q. 79 During the external audit of Dock Ltd, audit tests indicated that company policy requiring all purchase orders to be placed by the company's buying department was not adhered to in 20% of the transactions examined.

In respect of the above breach in company policy, prepare extracts, suitable for inclusion in the auditor's report to management (management letter), which set out the possible consequences and the recommendations that you would make.

NOTE: You are not required to prepare the covering letter. (4 marks)

(ICAEW – June 2008)

Section 5: The risks of specialized IT systems

(covered in section 2)

Chapter # 6: Flowcharts and IT concepts**Section 1: Narrative Notes and Questionnaires**

- Q. 80 Give three ways in which an auditor might record his client system. (06) **(CA Inter - Spring 94)**
- Q. 81 Auditors are required to document their understanding of the client's internal controls. There are various options available for recording the internal control system. Two of these options are narrative notes and internal control questionnaires.
Required:
Describe the advantages and disadvantages to the auditor of narrative notes and internal control questionnaires as methods for documenting the system. (6 marks) **(ACCA F8 - June 2011)**

Section 2: Systems Flowcharts

- Q. 82 In 2009 Kida Company purchased more than €10 million worth of office equipment under its 'special' ordering system, with individual orders ranging from €5,000 to €30,000. 'Special' orders entail low-volume items that have been included in an authorized user's budget. Department heads include in their annual budget requests the types of equipment and their estimated cost. The budget, which limits the types and euro amounts of office equipment a department head can requisition, is approved at the beginning of the year by the board of directors. Department heads prepare purchase requisition forms for equipment and forward them to the purchasing department.

Kida's 'special' ordering system functions as follows:

Purchasing:

Upon receiving a purchase requisition, buyer verifies that the person requesting the equipment is a department head. The buyer selects the appropriate vendor by searching the various vendor catalogues on file. The buyer then phones the vendor, requests a price quotation and gives the vendor a verbal order. A prenumbered purchase order is processed with the original sent to the vendor, a copy to the department head, a copy to receiving, a copy to accounts payable and a copy filed in the open requisition file. When the buyer is orally informed by the receiving department that the item has been received, the buyer transfers the purchase order from the unfilled file to the filled file. Once a month the buyer reviews the unfilled file to follow up on and expedite open orders.

Receiving:

The receiving department receives a copy of the purchase order. When equipment is received, the receiving clerk stamps the purchase order with the date received and, if applicable, in red pen prints any differences between the quantity shown on the purchase order and the quantity received. The receiving clerk forwards the stamped purchase order and equipment to the requisitioning department head and orally notifies the purchasing department.

Accounts payable:

Upon receiving a purchase order, the accounts payable clerk files it in the open purchase order file. When a vendor invoice is received, the invoice is matched with the applicable purchase order, and a payable is set up by debiting the equipment account of the department requesting the items. Unpaid invoices are filed by due date, and at the due date a cheque is prepared. The invoice and purchase order are filed by purchase order number in a paid invoice file, and the cheque is then forwarded to the treasurer for signature.

Treasurer:

Cheques received daily from the accounts payable department are sorted into two groups: those over €10,000; and those €10,000 and less. Cheques for €10,000 and less are machine-signed. The cashier keeps the key and signature plate to the cheque-signing machine and records all use of the cheque-signing machine. All cheques over €10,000 are signed by the treasurer or the controller.

Required:

a Prepare a flowchart of Kida Company's purchasing and cash disbursements system.

b Describe the internal control deficiencies relating to purchases of and payments for 'special' orders of Kida Company for the purchasing, receiving, accounts payable and treasurer functions.

(AICPA, adapted)

Section 3: IT Concepts

- Q. 83 Attempt Question # 77 (titled: Heidi Co) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2009 (F8).

Chapter # 7: Tests of controls

Section 1: Tests of controls and the main transaction cycles

- Q. 84 (i) Define a 'test of control' and a 'substantive procedure'; (2 marks)
(ii) State ONE test of control and ONE substantive procedure in relation to sales invoicing. (2 marks)
(ACCA F8 – June 2010)
- Q. 85 For the audit of the inventory cycle and year-end inventory balance of Lily Window Glass Co:
(i) Describe FOUR audit procedures that could be carried out using computer-assisted audit techniques (CAATS);
(ii) Explain the potential advantages of using CAATS; and
(iii) Explain the potential disadvantages of using CAATS.
(ACCA F8 – December 2012)

Section 2: The Sales System

- Q. 86 Attempt Question # 39 (titled: Roses Anytime) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2002 (Paper 2.6).

- Q. 87 Attempt Question # 40 (titled: Trade Receivables) of ICAP's Official Question Bank.
- Q. 88 You are a member of the recently formed internal audit department of Oregano Co (Oregano). The company manufactures tinned fruit and vegetables which are supplied to large and small food retailers. Management and those charged with governance of Oregano have concerns about the effectiveness of their sales and despatch system and have asked internal audit to document and review the system.

Sales and despatch system

Sales orders are mainly placed through Oregano's website but some are made via telephone. Online orders are automatically checked against inventory records for availability; telephone orders, however, are checked manually by order clerks after the call. A follow-up call is usually made to customers if there is insufficient inventory. When taking telephone orders, clerks note down the details on plain paper and afterwards they complete a three part pre-printed order form. These order forms are not sequentially numbered and are sent manually to both despatch and the accounts department.

As the company is expanding, customers are able to place online orders which will exceed their agreed credit limit by 10%. Online orders are automatically forwarded to the despatch and accounts department.

A daily pick list is printed by the despatch department and this is used by the warehouse team to despatch goods. The goods are accompanied by a despatch note and all customers are required to sign a copy of this. On return, the signed despatch notes are given to the warehouse team to file.

The sales quantities are entered from the despatch notes and the authorised sales prices are generated by the invoicing system. If a discount has been given, this has to be manually entered by the sales clerk onto the invoice. Due to the expansion of the company, and as there is a large number of sale invoices, extra accounts staff have been asked to help out temporarily with producing the sales invoices. Normally it is only two sales clerks who produce the sales invoices.

Required:

- (a) List TWO control objectives of Oregano Co's sales and despatch system.** (2 marks)
(b) Identify and explain SIX deficiencies in Oregano Co's sales and despatch system and provide a recommendation to address each of these deficiencies. (12 marks)
(ACCA F8, December 2013)

Section 3: The Purchases and Expenses System

- Q. 89 You are the audit incharge at Quick Enterprises Limited (QEL), a distributor of fast moving consumer goods. QEL supplies goods to retailers all over the country. The purchase procedure of the company includes the following:
- (i) Minimum stock levels are fixed on the basis of the changing demand for different brands which is monitored by the marketing department.
 - (ii) At the minimum stock level, requisitions for stock purchases are generated by the marketing department and signed by the Marketing Manager.
 - (iii) Pre-numbered purchase orders are generated in triplicate.
 - (iv) Purchase Manager signs the purchase order after matching these with the requisitions signed by the Marketing Manager.

(v) Purchase orders are faxed to the suppliers and copies thereof are forwarded to the stores and finance departments.

(vi) On receipt of goods, pre-numbered Goods Receiving Notes (GRNs) are prepared and signed by the Store Incharge. Each GRN is compared with the relevant purchase order by the Store Incharge.

(vii) GRN is forwarded to the finance department for recording in the stores ledger.

Required:

Identify the key internal controls that appear to be in place in the above system and test of controls required to evaluate each control. (08)

(CA Inter, Autumn 2013)

Q. 90

Introduction

Fox Industries Co (Fox) manufactures engineering parts. It has one operating site and a customer base spread across Europe. The company's year end was 30 April 2013. Below is a description of the purchasing and payments system.

Purchasing system

Whenever production materials are required, the relevant department sends a requisition form to the ordering department. An order clerk raises a purchase order and contacts a number of suppliers to see which can dispatch the goods first. This supplier is then chosen. The order clerk sends out the purchase order. This is not sequentially numbered and only orders above \$5,000 require authorisation.

Purchase invoices are input daily by the purchase ledger clerk, who has been in the role for many years and, as an experienced team member, he does not apply any application controls over the input process. Every week the purchase day book automatically updates the purchase ledger, the purchase ledger is then posted manually to the general ledger by the purchase ledger clerk.

Payments system

Fox maintains a current account and a number of saving (deposit) accounts. The current account is reconciled weekly but the saving (deposit) accounts are only reconciled every two months. In order to maximise their cash and bank balance, Fox has a policy of delaying payments to all suppliers for as long as possible. Suppliers are paid by a bank transfer. The finance director is given the total amount of the payments list, which he authorises and then processes the bank payments.

Required:

As the external auditors of Fox Industries Co, write a report to management in respect of the purchasing and payments system described above which:

- (i) Identifies and explains FOUR deficiencies in the system; and
- (ii) Explains the possible implication of each deficiency; and
- (iii) Provides a recommendation to address each deficiency.

(ACCA F8, June 2013)

Section 4: The Payroll System

Q. 91 Attempt Question # 37 (titled: Waheed Engineering) of ICAP's Official Question Bank.

Q. 92 Attempt Question # 80 (titled: Bashir Co) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2008 (F8).

Section 5: The Bank and Cash System

Q. 93 Attempt Question # 41 (titled: Granger) of ICAP's Official Question Bank.

Q. 94 Shiny Happy Windows Co (SHW) is a window cleaning company. Customers' windows are cleaned monthly, the window cleaner then posts a stamped addressed envelope for payment through the customer's front door.

SHW has a large number of receivable balances and these customers pay by cheque or cash, which is received in the stamped addressed envelopes in the post. The following procedures are applied to the cash received cycle:

1. A junior clerk from the accounts department opens the post and if any cheques or cash have been sent, she records the receipts in the cash received log and then places all the monies into the locked small cash box.
2. The contents of the cash box are counted each day and every few days these sums are banked by which ever member of the finance team is available.
3. The cashier records the details of the cash received log into the cash receipts day book and also updates the sales ledger.
4. Usually on a monthly basis the cashier performs a bank reconciliation, which he then files, if he misses a month then he catches this up in the following month's reconciliation.

Required:

For the cash cycle of SHW:

- (i) Identify and explain THREE deficiencies in the system; (3 marks)
- (ii) Suggest controls to address each of these deficiencies; and (3 marks)
- (iii) List tests of controls the auditor of SHW would perform to assess if the controls are operating effectively. **(3 marks)**

(ACCA F8 – June 2010)

Section 6: The Inventory system and non-current assets

Q. 95 Attempt Question # 36(titled: Shahzad) of ICAP's Official Question Bank.

Q. 96 DinZee Co assembles fridges, microwaves, washing machines and other similar domestic appliances from parts procured from a large number of suppliers. As part of the interim audit work two weeks prior to the company year-end, you are testing the procurement and purchases systems and attending the inventory count.

Procurement and purchases system

Parts inventory is monitored by the stores manager. When the quantity of a particular part falls below re-order level, an e-mail is sent to the procurement department detailing the part required and the quantity to order. A copy of the e-mail is filed on the store manager's computer.

Staff in the procurement department check the e-mail, allocate the order to an authorised supplier and send the order to that supplier using Electronic Data Interchange (EDI). A copy of the EDI order is filed in the order database by the computer system. The order is identified by a unique order number.

When goods are received at DinZee, the stores clerk confirms that the inventory agrees to the delivery note and checks the order database to ensure that the inventory were in fact ordered by DinZee. (Delivery is refused where goods do not have a delivery note.)

The order in the order database is updated to confirm receipt of goods, and the perpetual inventory system updated to show the receipt of inventory. The physical goods are added to the parts store and the paper delivery note is stamped with the order number and is filed in the goods inwards department.

The supplier sends a purchase invoice to DinZee using EDI; invoices are automatically routed to the accounts department. On receipt of the invoice, the accounts clerk checks the order database, matches the invoice details with the database and updates the database to confirm receipt of invoice. The invoice is added to the purchases database, where the purchase day book (PDB) and suppliers individual account in the payables ledger are automatically updated.

Required:

- (a) List SIX audit procedures that an auditor would normally carry out on the purchases system at DinZee Co, explaining the reason for each procedure. **(12 marks)**
- (b) List FOUR audit procedures that an auditor will normally perform prior to attending the client's premises on the day of the inventory count. **(2 marks)**
- (c) On the day of the inventory count, you attended depot nine at DinZee. You observed the following activities:
1. Prenumbered count sheets were being issued to client's staff carrying out the count. The count sheets showed the inventory ledger balances for checking against physical inventory.
 2. All count staff were drawn from the inventory warehouse and were counting in teams of two.
 3. Three counting teams were allocated to each area of the stores to count, although the teams were allowed to decide which pair of staff counted which inventory within each area. Staff were warned that they had to remember which inventory had been counted.
 4. Information was recorded on the count sheets in pencil so amendments could be made easily as required.
 5. Any inventory not located on the pre-numbered inventory sheets was recorded on separate inventory sheets which were numbered by staff as they were used.
 6. At the end of the count, all count sheets were collected and the numeric sequence of the sheets checked; the sheets were not signed.

Required:

- (i) List the weaknesses in the control system for counting inventory at depot nine. **(3 marks)**
- (ii) For each weakness, explain why it is a weakness and state how that weakness can be overcome. **(9 marks)**
- (d) (i) State the aim of a test of control and the aim of a substantive procedure.
- (ii) In respect of your attendance at DinZee Co's inventory count, state one test of control and one substantive procedure that you should perform. **(4 marks)**

(ACCA F8 – December 2007)

Section 7: Other Issues With Tests of Controls

N/A

Chapter # 8: Introduction to Substantive Procedures**Section 1: The Role of Substantive Procedures**

- Q. 97 What do you understand by a cut off test? How an auditor normally performs it in case of local purchases? **(05)**

(CA Inter, Spring 2003)

Section 2: Analytical Procedures: ISA 520

- Q. 98 Attempt Question # 81 (titled: Analytical procedures) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2009 (CA Inter).
- Q. 99 Attempt Question # 44 (titled: Sky blue) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2008 (CA Inter).
- Q. 100 Attempt Question # 67 (titled: Analytical procedures and materiality) of ICAP's Official Question Bank.
- Q. 101 Attempt Question # 26 (titled: Dynamic) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2012 (CA Inter).
- Q. 102 Attempt Question # 32 (titled: Zakir Co) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2008 (F8).
- Q. 103 Attempt Question # 31 (titled: Hurricane) of ICAP's Official Question Bank.

Chapter # 9: Substantive Procedures: Non-current assets**Section 1: Tangible Non-current assets**

- Q. 104 List FOUR assertions relevant to the audit of tangible non-current assets and state one audit procedure which provides appropriate evidence for each assertion. **(4 marks)**
(ACCA F8 – December 2008)
- Q. 105 Describe TWO substantive procedures the external auditor of Bluesberry should adopt to verify EACH of the following assertions in relation to an entity's property, plant and equipment;
- (i) Valuation;
 - (ii) Completeness; and
 - (iii) Rights and obligations.

Note: Assume that the hospital adopts International Financial Reporting Standards. (6 marks)

(ACCA F8 – December 2010)

- Q. 106 Attempt Question # 68 (titled: Tahira Transporters) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2005 (2.6).
- Q. 107 Attempt Question # 69 (titled: Willow) of ICAP's Official Question Bank.

Section 2: Intangible Non-current assets

- Q. 108 (i) Explain the matters you should consider to determine whether capitalised development costs are appropriately recognised; and **(05 marks)**
 (ii) Describe the audit procedures you should perform to determine the validity of the amortisation rate of five years being applied to development costs in relation to Plummet. **(5 marks)**
(ACCA P7 – December 2007)

- Q. 109 You are the manager in charge of the audit of the financial statements of Top Shop Berhad for the year ended 30 June 2011. Having completed the evaluation of the company's internal controls, you have decided to perform substantive procedures on all significant account balances.

Required:

Describe the five (5) substantive procedures that you would perform in respect of each of the following account balances:

- | | | |
|------|----------------------|-----------|
| i. | Accounts Receivables | (5 marks) |
| ii. | Bank overdraft | (5 marks) |
| iii. | Goodwill | (5 marks) |

(MIA – March 2012)

- Q. 110 In auditing intangible assets, auditors perform audit procedures to enable sufficient appropriate audit evidence to be obtained.
- i. Describe any eight (8) substantive audit procedures for goodwill. (8 marks)
 ii. Describe any four (4) substantive audit procedures for patents and trademarks. (4 marks)
(MIA – September 2010)

Chapter # 10: Substantive Procedures: Current assets

Section 1: Introduction to Substantive Procedures for Inventory

- Q. 111 Attempt Question # 58 (titled: Manufacturing inventories) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2012 (CA Inter).
- Q. 112 Attempt Question # 49 (titled: Hard Stone Limited) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2009 (CA Inter).

Section 2: Valuation of Inventory

- Q. 113 In verifying inventory, one of the auditor's concerns is slow-moving or obsolete items. What audit procedures would an auditor carry out to determine whether slow-moving or obsolete items have been included in inventory? (03 marks)
(MIA – September 2009)
- Q. 114 The management of Redburn Co have told you that inventory is correctly valued at the lower of cost and net realisable value. You have already satisfied yourself that cost is correctly determined.
- Required:**
- (i) Define net realisable value; **(2 marks)**
 (ii) State and explain the purpose of FOUR procedures that you should use to ensure that net realisable value of the inventory is at or above cost. **(8 marks)**

(ACCA F8 – December 2009)

Section 3: Inventory Quantity: The Physical Inventory Count and ISA 501

- Q. 115 Describe substantive procedures you should perform to obtain sufficient appropriate evidence in relation to:
- (i) Inventory held at the third party warehouses; and
 - (ii) Use of standard costs for inventory valuation. **(4 marks)**

(ACCA F8 – December 2011)

- Q. 116 Attempt Question # 70 (titled: Sparkle Forever) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2005 (2.6).

- Q. 117 Attempt Question # 71 (titled: Bubbles) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2004 (2.6).

- Q. 118 Attempt Question # 78 (titled: Zeedin Co) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, December 2007 (F8).

Section 4: Substantive Procedures: Trade Receivables and Prepayments

- Q. 119 Attempt Question # 72 (titled: ISA 500) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2006 (CA Inter).

- Q. 120 Attempt Question # 45 (titled: Direct confirmation 1) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2008 (CA Inter).

- Q. 121 Attempt Question # 51 (titled: Direct confirmation 2) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2010 (CA Inter).

- Q. 122 Describe substantive procedures the auditor should perform to confirm Tinkerbell's year-end receivables balance. **(8 marks)**

(ACCA F8 – June 2011)

- Q. 123 Describe substantive procedures the auditor should perform to confirm Tinkerbell's revenue. **(4 marks)**

(ACCA F8 – June 2011)

- Q. 124 As part of their risk assessment, auditors review and assess internal controls relevant to audit to determine the nature, timing and extent of further substantive procedures.

Required:

List the audit procedures involved for the following assets at the year-end of a company's financial year.

i. Motor Vehicles.

ii. Account Receivables.

iii. Inventories. (12 marks)

(MIA – September 2011)

- Q. 125 Attempt Question # 79 (titled: Sahit Co) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2008 (F8).

Section 5: Substantive Procedures: Bank and Cash Balances

- Q. 126 Attempt Question # 73 (titled: Javeria Co) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2006 (2.6).
- Q. 127 Attempt Question # 61 (titled: BPR) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2012 (CA Inter).

Chapter # 11: Substantive Procedures: Other Areas**Section 1: Substantive Procedures: Trade Payables**

- Q. 128 Attempt Question # 74 (titled: Porridge) of ICAP's Official Question Bank.
- Q. 129 Attempt Question # 75 (titled: Trembridge Engineering) of ICAP's Official Question Bank.

Section 2: Substantive Procedures: Accruals, Provisions and Contingencies

- Q. 130 Explain the principal audit procedures to be performed during the final audit in respect of the estimated warranty provision in the balance sheet of Island Co as at 30 November 2007. **(5 marks)**
(ACCA P7 – December 2007)

Section 3: Substantive Procedures: Non-Current Liabilities

- Q. 131 List the substantive procedures which may be performed by the auditor to verify the Long Term Bank Loan. **(07)**
(CA Inter, Spring 2014)

Section 4: The audit of equity

- Q. 132 A substantive audit strategy is applied when those items in the financial statements are material even though the number of transactions may be few.

Required:

- i. State two (2) audit objectives for share capital. (2 marks)
- ii. Identify the substantive procedures for verifying share capital. (8 marks)

(MIA – March 2012)

Section 5: Directors' Emoluments

N/A

Section 6: Key Income Statement Figures

- Q. 133 Describe substantive procedures you should now perform to confirm the accuracy and completeness of payroll charge. **(6 marks)**

Chapter # 12: Related Party Transactions**Section 1: Related Parties: ISA 550**

- Q. 134 Attempt Question # 57 (titled: RP Planning) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2011 (CA Inter).
- Q. 135 Discuss why the identification of related parties, and material related party transactions, can be difficult for auditors. **(5 marks)**
(ACCA P7 – June 2008)
- Q. 136 Attempt Question # 50 (titled: Related parties) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2009 (CA Inter).
- Q. 137 Attempt Question # 53 (titled: Al-Shams) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2010 (CA Inter).
- Q. 138 While reviewing the audit working papers of Apple Limited (AL), the following matters have come to your attention:
- (i) The audit team was able to ascertain that AL has entered into a number of transactions near the year-end with a new distributor Fruits Limited (FL), which is a related party. On being confronted, the management has informed that since there were no transactions with FL in the past, its inclusion in the schedule of related party transaction was inadvertently omitted. **(05)**
 - (ii) The details of related party transactions provided by the management includes a payment of Rs. 300 million to Mango Limited. The job incharge is of the view that this transactions is not in normal course of business of the company. **(04)**

Required:

Analyse each of the above situations and briefly describe your course of action.

(CA Inter, Spring 2014)

Chapter # 13: Reliance on Others**Section 1: The audits of Group Financial Statements: ISA 600**

- Q. 139 Your firm is the group external auditor of Timpani plc (Timpani) a company based in the UK with large subsidiary companies operating in Bahrain, Singapore and Cyprus. Each subsidiary is audited by a different firm of auditors. You are planning the group audit for the year ending 31 January 2014 and are currently drafting an email to inform the subsidiaries' auditors of your firm's requirements for their work.
- List three items to be included in the email that are relevant to the subsidiaries' auditors when planning their own audit work and for each item state the reason why it should be included. **(3 marks)**
(ICAEW – December 2013)

- Q. 140 Green & Company, Chartered Accountants have been asked to audit the financial statements of Encom Technologies Limited (ETL). ETL's business is carried out through various branches in different cities. Two such branches constitute nearly 40% of total business, significant portion of which is quite complex. Further, the firm has virtually no experience of auditing the business carried out at these branches, which are audited by other firms of chartered accountants. Moreover, there are certain doubts as regards the competence of the auditors of one of the above branches. What consideration should be given by the firm while accepting the engagement? **(08)**
(CA Inter, Spring 2007)

Section 2: Using the work of Internal Auditors

- Q. 141 Distinguish between internal audit and external audit. **(4 marks)**
(ACCA F8 – June 2012)
- Q. 142 Briefly describe the scope and objectives of internal audit. **(05)**
(CA Inter, Autumn 2005)
- Q. 143 You are audit in-charge of Marble Limited. The company has established an internal audit function, which is headed by a Chartered Accountant, who has significant internal audit experience. The head of internal audit also reports functionally to audit committee and administratively to the Chief Executive. Based on your preliminary review of the internal audit function, you consider that internal auditing activities are relevant to the risk assessment, and therefore, you are planning to obtain understanding and perform an assessment of internal audit. What are the important criteria that you would consider for assessment of internal audit function? **(08)**
(CA Inter, Autumn 2006)
- Q. 144 Attempt Question # 48 (titled: PQR) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2009 (CA Inter).
- Q. 145 Attempt Question # 63 (titled: Wings) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2004 (2.6).

Section 3: Using the work of an auditor's expert

- Q. 146 Attempt Question # 43 (titled: Masoom Limited) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2008 (CA Inter).
- Q. 147 Attempt Question # 54 (titled: Auditor's expert) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2010 (CA Inter).
- Q. 148 Attempt Question # 46 (titled: Chill) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2008 (CA Inter).
- Q. 149 Attempt Question # 65 (titled: ISA 620) of ICAP's Official Question Bank.
- Q. 150 Attempt Question # 76 (titled: ISA 620: Using the Work of an Auditor's Expert) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2008 (F8).

- Q. 151 You are the statutory auditor of Northwest Company (Private) Limited, a manufacturing concern. The company has used the services of an expert in valuation of its plant and machinery at the year end. You being the statutory auditor of the Company, have expressed to the Chief Financial Officer (CFO) of the company that you intend to evaluate the competence and objectivity of the expert and his work. The CFO has asked you to explain to him the specific provisions of applicable Standard on Auditing on the subject. State the relevant requirements of the Auditing Standard with regard to the above. **(08)**
- (CA Inter, Spring 2005)*
- Q. 152 You are the manager responsible for the audit of Park Hotels Limited (PHL), which operates three hotels in Pakistan. PHL has adopted the revaluation model for the valuation of buildings. In the current year, revaluation has been carried out by a new firm, Farhan Associates (FA). PHL has incorporated the effects of revaluation in the financial statements accordingly.
- Required:**
- (a) Briefly describe the matters that you would consider before using the report prepared by FA. **(04)**
- (b) Identify and explain the principal audit procedures to be performed on the valuation of the hotel's buildings. **(06)**
- (CA Inter, Spring 2013)*
- Q. 153 Under what circumstances would an auditor refer to the result of the work of an expert in the audit report? **(04)**
- (CA Inter, Spring 2004)*

Chapter # 14: Professional Ethics and Codes of Conduct

Section 1: Fundamental Principles

- Q. 154 Attempt Question # 10 (titled: Fundamental principles) of ICAP's Official Question Bank. *This question has been adopted from ACCA's past paper, December 2007 (F8).*

Section 2: The conceptual Framework

- Q. 155 A chartered accountant is required to comply with five fundamental principles specified by ICAP's Code of Ethics. However, compliance with the fundamental principles may potentially be threatened by a broad range of circumstances.
- Required:
- Briefly describe the categories of threats that may potentially affect compliance with the fundamental principles. Give two examples for each category. **(10 marks)**
- (CA Inter, Spring 2011)*
- Q. 156 Attempt Question # 14 (titled: Saad Co) of ICAP's Official Question Bank. *This question has been adopted from ACCA's past paper, December 2008 (F8).*
- Q. 157 Attempt Question # 1 (titled: ICAP Code of Ethics) of ICAP's Official Question Bank. *This question has been adopted from ICAP's past paper, Spring 2009 (CA Inter).*

Section 3: Independence, Objectivity and Integrity

- Q. 158 Attempt Question # 12 (titled: Independence of external auditors) of ICAP's Official Question Bank.
- Q. 159 Attempt Question # 3 (titled: Shamsuddin) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2009 (CA Inter).
- Q. 160 Attempt Question # 5 (titled: Threats) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2011 (CA Inter).
- Q. 161 Discuss the categories of threats that may be involved in each of the following mutually exclusive situations and advise the partners of the concerned firms with regard to the possible course of action that may be adopted in each case:
- (a) Muneer is a Chartered Accountant and employed as a manager in a firm of Chartered Accountants. He has informed the engagement partner that his close relative holds 50,000 shares of a listed company whose audit is to be supervised by Muneer.
- (b) Danial is employed in a firm of Chartered Accountants. He has been a member of the audit team of Malakand Limited for the last few years. (10)
- (CA Inter, Spring 2013)**
- Q. 162 Attempt Question # 6 (titled: Burewala and Kamal) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2012(CA Inter).
- Q. 163 Attempt Question # 9 (titled: Regulatory and professional requirements) of ICAP's Official Question Bank.
- Q. 164 Attempt Question # 34 (titled: Tahir Co) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2009 (F8).

Section 4: Confidentiality

- Q. 165 Attempt Question # 11 (titled: Ancients) of ICAP's Official Question Bank.
- Q. 166 Mr. Kay, the audit partner of JKL & Co. Chartered Accountants, came across the following matters relating to the trainee students of the firm;
- They freely discuss information of one client with other clients unless client specifically requests for confidentiality.
 - One trainee disclosed some key information of an ex-client to his friends outside the firm, which probably were used by them for their personal benefit. However, the trainee himself had not used such information in any way.
 - Another trainee supplied certain information to one of the lawyers of the client. However, he had obtained prior written permission from the said client.
- To address the issues relating to confidentiality Mr. Kay decided to hold a training session for trainee students. As the audit manager, you are required to make a presentation covering the following points;
- (a) Principles of confidentiality. (04)
- (b) Any breach of such principles with relation to given instances. (03)
- (c) Examples of circumstances when disclosure of information of a client is considered to be in order. (03)

(CA Final, Winter 2006)

Chapter # 15: Audit Finalization and Reporting**Section 1: Subsequent Events: ISA 560**

Q. 167 (a) Briefly describe the extent of auditor's responsibility relating to subsequent events occurring between the date of the financial statements and the auditor's report. (03)

(b) Identify any five procedures that the auditor may undertake to fulfill the responsibility as discussed in (a) above. (05)

(CA Inter, Autumn 2013)

Q. 168 The financial statements for the year ended June 30, 200X of Bakers Limited along with auditor's report thereon were issued. Subsequently, the auditor became aware of an error, which resulted in overstatement of sales by a material amount.

(i) What course of action the auditor is supposed to take according to the applicable standards?

(ii) Under what situation the revision in financial statements may not be necessary? (08)

(CA Inter, Spring 2007)

Q. 169 Attempt Question # 87 (titled: RK Resourcing) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, December 2005 (2.6).

Section 2: Written Representations: ISA 580

Q. 170 As part of the audit process, the management provides written representations to confirm certain matters in connection with the audit.

Required:

(a) State the matters that you will consider as an auditor while assessing the reliability of representations made by the management. (05 marks)

(b) Describe the course of action available to an auditor if the management refuses to provide representation on a particular issue. (05 marks)

(CA Inter, Spring 2012)

Q. 171 During the verification of 'repair and maintenance account', the auditor noted that a repair expenditure of material amount was not supported by proper documentary evidence. According to the management, it was done in haste to avoid an abnormal shut down of plant. The management has offered to give specific representation in this regard.

Discuss the appropriateness of management's representation as audit evidence in this case. (03 Marks)

(CA Inter, Spring 2007)

Q. 172 Attempt Question # 84 (titled: Written representations) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2011 (CA Inter).

Q. 173 Attempt Question # 42 (titled: Nobel) of ICAP's Official Question Bank.

Q. 174 Attempt Question # 86 (titled: Kazmi-Wassan) of ICAP's Official Question Bank.
This question has been adopted from ACCA's past paper, June 2005 (2.6).

Section 3: Overall Review of the financial statements

N/A

Section 4: Purpose of the audit report

- Q. 175 What is the “expectation gap” and how could it be removed or reduced by the auditing profession?
(04 marks)
(CA Professional Stage – Summer 1994)

Section 5: The Unmodified audit report: ISA 700

- Q. 176 ISA 700 *Forming an Opinion and Reporting on Financial Statements* provides guidance on the form and content of the auditor’s report that should contain a number of elements.
Required:
Describe FIVE elements of an unmodified auditor’s report. (05 marks)
(ACCA F8 – December 2011)
- Q. 177 Attempt Question # 82 (titled: Auditor responsibility) of ICAP’s Official Question Bank.
This question has been adopted from ICAP’s past paper, Spring 2010 (CA Inter).
- Q. 178 Attempt Question # 88 (titled: Rake Enterprises) of ICAP’s Official Question Bank.

Section 6: Audit Reporting and the Companies Ordinance 1984

- Q. 179 (i) Can a company change its accounting policies? (04 marks)
(ii) What are the responsibilities of an auditor of a company in such a case? (04 marks)
(CA Inter, Spring 1999)
- Q. 180 Under the Companies Ordinance 1984, while reporting on the financial statements the auditor has to express an opinion whether the financial statements give a true and fair view in all material respect.
Briefly state the matters other than the above, on which the auditor is required to express his opinion as per the requirements of Section 255 of the Companies Ordinance, 1984. (08 marks)
(CA Inter, Autumn 2007)
- The auditor’s report as specified in form 35A in the Companies (General Provisions and Forms) Rules, 1985 includes the auditor’s opinion on certain matters which have not been specified in the format of auditor’s report given in the International Standards on Auditing.
Required:
List the additional reporting responsibilities of the auditor, as discussed in the preceding paragraph. (08 marks)
(CA Inter, Autumn 2009)
- Q. 181 Attempt Question # 83 (titled: Al-Badr) of ICAP’s Official Question Bank.
This question has been adopted from ICAP’s past paper, Autumn 2010 (CA Inter).
- Q. 182 Attempt Question # 85 (titled: Shahrukh and Co) of ICAP’s Official Question Bank.
This question has been adopted from ICAP’s past paper, Autumn 2012 (CA Inter).

Chapter # 16: International Standards on Review Engagements**Section 1: Review Engagements**

- Q. 183 The auditor of a listed company is required to review the half yearly financial statements. You are required to explain:
(a) the objectives of such review and how does it differ from audit; and
(b) the procedures that are performed while carrying out such review. **(07)**
(CA Inter, Autumn 2007)

- Q. 184 Sigma & Company, Chartered Accountants has carried out a review of the financial statements of Bilal Limited, a listed company, for the half year ended June 30, 2009. The job in charge has drafted the following review report:

Report on Review of Interim Financial Information**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Bilal Limited ("the company") as at June 30, 2009 and 2008, and the related condensed interim statement of comprehensive income and condensed interim statement of cash flows together with the notes forming part thereof for the half year then ended in accordance with International Standards on Auditing applicable to review engagement. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan.

Scope of Review

A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at June 30, 2009 is not presented fairly in all respects. Because of the inherent limitations of our review engagement, this report is intended for the information of management and should not be used for any other purposes.

Sigma & Company
Chartered Accountants

Required:

Highlight the deficiencies, if any, in the draft review report. **(14)**
(CA Inter, Autumn 2009 – amended)

- Q. 185 Attempt Question # 90 (titled: Karim) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Autumn 2008 (CA Inter).

- Q. 186 Attempt Question # 91 (titled: IFI) of ICAP's Official Question Bank.
This question has been adopted from ICAP's past paper, Spring 2011 (CA Inter).
- Q. 187 Attempt Question # 89 (titled: ISRE 2400) of ICAP's Official Question Bank.