

Topic : Audit Strategy, Audit Planning and Audit Programme, Risk Assessment and Internal Control, Audit Sampling, & Audit Report

Question No.1

(1) Audit risk is a function of the risks of material misstatement and _____

- (a) detection risk.
- (b) inherent risk
- (c) control risk
- (d) business risk

(1 Mark)

(2) Which of the following is source of Non Sampling risk :

- (a) Human Mistakes
- (b) Applying audit procedures not appropriate to the objectives of audit
- (c) Misinterpreting the sample results
- (d) All of the above

(1 Mark)

(3) The audit plan is _____ detailed than the overall audit strategy

- (a) Less
- (b) More
- (c) Equal

(1 Mark)

(4) The Opinion section of the auditor's report shall:

- (a) Identify the entity whose financial statements have been audited;
- (b) State that the financial statements have been audited;
- (c) Identify the title of each statement comprising the financial statements;
- (d) All of the above

(1 Mark)

(5) Determining a percentage to be applied to a chosen benchmark (in relation to materiality) involves the exercise of _____

- (a) Independence
- (b) Professional judgement
- (c) Professional skepticism
- (d) All of the above

(2 Marks)

- (6)** Control activities, whether within IT or manual systems, have various objectives and are applied at various organisational and functional levels. Which of the following is an example of control activities:
- (a) Authorization.
 - (b) Performance reviews
 - (c) Information processing.
 - (d) All of the above

(2 Marks)

- (7)** SA-700 requires the use of specific headings, which are intended to assist in making auditor's reports that refer to audits that have been conducted in accordance with SA more recognizable. Which of the following is the specific heading:

- (a) Key audit matters
- (b) Basis of opinion
- (c) Date
- (d) All of the above

(2 Marks)

Question No.2

- (A)** The utility of the audit programme can be retained and enhanced only by keeping the programme as also the client's operations and internal control under periodic review so that inadequacies or redundancies of the programme may be removed. Explain

(7 Marks)

- (B)** As part of the risk assessment, the auditor shall determine whether any of the risks identified are, in the auditor's judgment, a significant risk.

In exercising judgment as to which risks are significant risks, state the factors which shall be considered by the auditor.

Explain the above in context of SA-315.

(6 Marks)

Question No.3

- (A)** Internal control over safeguarding of assets against unauthorised acquisition, use, or disposition may include controls relating to both financial reporting and operations objectives. Explain stating clearly the objectives of Internal Control.

(5 Marks)

- (B)** The first section of the auditor's report shall include the auditor's opinion, and shall have the heading "Opinion." The Opinion section of the auditor's report shall also identify the entity whose financial statements have been audited. Apart from the above, explain the other relevant points to be included in opinion section.

(3 Marks)

- (C)** Plans should be further developed and revised as necessary during the course of the audit. Explain.

(3 Marks)

(D) The auditor should plan his work to enable him to conduct an effective audit in an efficient and timely manner. Plans should be based on knowledge of the client's business. Explain

(3 Marks)

Question No.4

(A) The auditor is required to project misstatements for the population to obtain a broad view of the scale of misstatement but this projection may not be sufficient to determine an amount to be recorded. Explain

(4 Marks)

(B) The SAs do not ordinarily refer to inherent risk and control risk separately, but rather to a combined assessment of the "risks of material misstatement". Explain.

(3 Marks)

(C) Define Emphasis of Matter paragraph. When the auditor shall include an Emphasis of Matter paragraph in the auditor's report? Also explain how the auditor would include an Emphasis of Matter in the auditor's report?

(6 Marks)