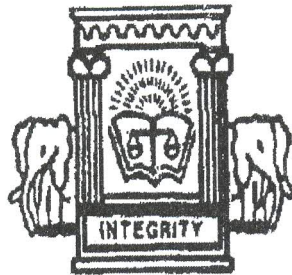


INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)



**MAY 2011 EXAMINATIONS
(PROFESSIONAL)**

PART 2

**AUDIT AND INTERNAL REVIEW
(Paper 2.2)**

Attempt ALL Questions

TIME ALLOWED:

Reading & Planning	-	15 Minutes
Workings	-	3 Hours

QUESTION 1

Mr. Asante, who is the Chief Executive Officer (CEO) of CCF Company Limited, does not understand why his institution should be audited. He was very furious when the Accountant of the company raised the issue of an audit. According to Mr. Asante, in modern business concerns auditing is not necessary.

Required:

- (a) (i) As a potential auditor of CCF Company, you are to state in detail **three (3)** objectives of having an audit to the CEO. (6 marks)
- (ii) In achieving those objectives what possible disadvantages can be suffered by the company? (6 marks)
- (b) State with reasons **four (4)** persons that are not qualified to act as an auditor of a company registered under the Companies Code, 1963, Act 179 (8 marks)

(Total: 20 marks)

QUESTION 2

- (a) You are the auditor of KOFIGAH COMPANY LTD whose financial statements are before you for audit. You found in the statement of financial position of the company a debtors balance of GHS100 million. Management has made a provision for bad and doubtful debts of 10% which you considered too high.

Required:

What consideration would you note before deciding on the appropriateness of the provision for doubtful debts as disclosed by management of your client?

(10 marks)

- (b) State **five (5)** points to note when examining a voucher during the course of an audit. (10 marks)

(Total: 20 marks)

QUESTION 3

(i) For what purpose would you examine the following during the course of the audit of a limited liability company?

(a) Shareholders' Minutes Book

(b) Directors' Minutes Book

(14 marks)

(ii) It is a well known fact that test-checking in auditing has some disadvantages. As an auditor, state the safeguards that you would suggest in order to minimize the disadvantages of test-checking.

(6 marks)

(Total: 20 marks)

QUESTION 4

(a) State **six (6)** steps you would take to verify the amount shown in the annual accounts for additions and alterations to factory premises carried out by own employees.

(12 marks)

(b) The Companies Code, 1963, Act 179 states that proper books of accounts must be kept. State what constitutes proper books of accounts.

(8 marks)

(Total: 20 marks)

QUESTION 5

- (a) Explain what is meant by a total or control account.
(2 marks)
 - (b) From what data is the control account compiled?
(2 marks)
 - (c) What are the advantages to an auditor of such an account?
(3 marks)
 - (d) Explain why audit working papers are prepared.
(6 marks)
 - (e) Give the main categories of items that would be included in a complete set of audit working papers.
(7 marks)
- (Total: 20 marks)**