

QUESTION 1

You have just completed Part 2 of ICA – Ghana qualifying examinations and you have been called for an interview at K. A & Associates, a firm of Chartered Accountants based in Accra.

Answer the following questions to the panel members:

- (a) Explain the importance of audit to any **four (4)** stakeholders who need an audit report. *(4 marks)*
- (b) Explain the “Expectation Gap” as used in Auditing. *(5 marks)*
- (c) Discuss **three (3)** expectations of the users of the audited accounts. *(6 marks)*
- (d) State the reasons why Auditors should send a letter of engagement to clients before they carry out an audit. *(5 marks)*

(Total: 20 marks)

QUESTION 2

- (a) One result of the rapid advancement in technology in recent years has been an increase in the number and level of sophistication of computers used by businesses, both large and small. The necessity for quicker access to data on file, quicker update of files and feedback has led to the development of on-line and real-time processing systems.

Required:

- (i) Explain on-line and real-time systems, stating suitable examples. *(5 marks)*
- (ii) Outline the major problems which such systems could present from the auditor’s stand point. *(5 marks)*
- (iii) Suggest how the auditor can overcome the problems. *(5 marks)*
- (b) (i) What is “Teeming and Lading”? *(2 marks)*
- (ii) State **three (3)** Controls that can help to prevent teeming and lading. *(3 marks)*

(Total: 20 marks)

QUESTION 3

The Institute of Chartered Accountants (Ghana) has professional Code of Ethics which governs the accountancy profession in Ghana.

Required:

- (a) State and explain the ethical requirements based on fundamental principles by which an accountant should be governed in the conduct of his work. **(10 marks)**
- (b) Critically assess **five (5)** importance of the Auditor's letter of engagement from both statutory and professional points of view. **(5 marks)**
- (c) What are the objectives of instituting Internal Control Systems in an organisation? **(5 marks)**

(Total: 20 marks)

QUESTION 4

- (a) Your client, Kokroko Ltd, owns and operates three large departmental stores in Fankyeneko, Jorsei and Kankafionaa. Each store has more than 22 departments.

You are currently preparing your audit plan and you are considering carrying out detailed audit tests on a rotational basis. You consider that all departments within the stores should be covered over a period of five years but that more attention should be given to those with higher audit risk.

You are required to list **five (5)** factors you would consider in evaluating the audit risk of the departmental stores. **(5 marks)**

- (b) Following the Cadbury Committee Report in 1992, many big companies have adopted the idea of Audit Committees. The intent of this new phenomenon is to create space between the external auditors and the directors of the client company.

Required:

Explain **five (5)** responsibilities of an Audit Committee. **(10 marks)**

- (c) Risks are associated with audit notwithstanding the strength of the audit evidence or the carefulness of the auditor.

Required:

Explain the types of risks that may arise out of the Auditor's work.

(5 marks)

(Total: 20 marks)

QUESTION 5

- (a) You are about to take-up the responsibility for the audit of LAMPS Ltd, a Ghanaian company with headquarters in Accra and another plant located in Tamale. Your colleague who handled the audit last year is on leave and has left the files behind.

Required:

- (i) Describe how you would plan the audit of LAMPS Ltd for the year ending 30th June, 2011.
- (ii) How would you expect to control the audit?

(15 marks)

- (b) Auditors can obtain knowledge of the industry and the entity from a number of sources which would be sufficient to enable them plan the audit, develop effective audit approach and understand the events and practices that have significant effect on the financial statement of their audit work.

Required:

State **five (5)** sources from which the auditor can obtain knowledge of the industry and the organisation.

(5 marks)

(Total: 20 marks)