

**NOVEMBER 2017 PROFESSIONAL EXAMINATIONS**  
**AUDIT & ASSURANCE (PAPER 2.3)**  
**CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**EXAMINER'S GENERAL COMMENTS**

In my opinion, I expected candidates to perform better in this paper. This is because all the questions were within the syllabus requirement of the Institute's examination. Unfortunately, questions three (3), four (4) and five (5) were poorly handled by a chunk number of candidates. It appeared to me that most students did not prepare adequately for the examination. Candidates however, scored high marks for questions one (1) and two (2).

Tutors should impress upon students at this level of the examination to be serious since this will aid them to perform better at the final level. Students should not forget the principles that they acquire at this level when they reach level three auditing.

**STANDARD OF THE PAPER**

The standard of the paper was still high and same as the ones previously administered by the Institute. There were no ambiguities/error/typing problems that adversely affected performance in the examination. The mark allocation followed the weightings in the syllabus but I think the mark allocated for question one (1) a (ii) was too high to my liking.

In my opinion, none of the questions were too loaded. However, some of the marks allocated were 'over-generous'. For example, question one (1) (a) (ii) marks allocated is too high. Candidates really took advantage of this generosity which resulted into almost 80% pass rate.

In my view, all the five (5) questions were of high standard at this level.

**NOBLE STRENGTHS AND WEAKNESS OF CANDIDATES**

**Strengths**

Candidates performed strongly in questions on corporate governance and Auditing standards. As high as almost 80% of candidates passed in these areas. Over 85% passed in areas of Internal Audit, Planning and Risk Assessment and Internal Control. The above shows specific areas in which strengths were demonstrated by candidates. The strengths were wide spread amongst candidates. The probable reason why the above strengths were obtained may be due to the fact that teaching and learning of those topics were intensified and appreciated by students.

I believe that the only areas where the above strengths can be enhanced should be that both teachers and students should continue to perform their respective roles well. Students should do more exercises for lecturers to mark and discuss those assignments

in class. Students on their own should do a lot of readings around the subject, including current issues in Auditing.

### **Weaknesses**

Candidates exhibited a lot of weaknesses in areas such as materiality concept, going concern concept, analytical procedures. Candidates also showed weakness in substantive procedures and impact on audit report of depreciation, law suits and certain assets on a company's balance sheet. I think students overlooked those areas in their preparation towards the examination. Candidates must be encouraged to spread their readings to accounting issues since that will assist them a lot.

A lot of the weaknesses were concentrated on centres in some of the regions where proper tuition lacking.

## QUESTION ONE

- a) Ebaatsake Ltd designs and manufactures luxury motor vehicles. The company employs 2,500 staff and consistently makes a net profit of between 10% and 15% of sales. Ebaatsake Ltd is not listed; its shares are held by 15 individuals, most of them from the same family. The maximum shareholding is 15% of the share capital.

The executive directors are drawn mainly from the shareholders. There are no non-executive directors because the company legislation in Ebaatsake Ltd's jurisdiction does not require any. The executive directors are very successful in running Ebaatsake Ltd, partly from their training in production and management techniques, and partly from their hands-on approach providing motivation to employees.

The board is considering a significant expansion of the company. However, the company's bankers are concerned with the standard of financial reporting as the Finance Director (FD) has recently left Ebaatsake Ltd. The board is delaying provision of additional financial information until a new FD is appointed.

Although Ebaatsake Ltd does have an internal audit department, the Chief Internal Auditor frequently complains that the board of Ebaatsake Ltd does not understand his reports nor provide sufficient support for his department and the internal control systems within Ebaatsake Ltd. The board of Ebaatsake Ltd concur with this view. Adoko & Co, the external auditors have also expressed concern in this area and the fact that the internal audit department focuses work on control systems, not financial reporting. Adoko & Co are appointed by and report to the board of Ebaatsake Ltd.

The board of Ebaatsake Ltd are considering a proposal from the Chief Internal Auditor to establish an audit committee. The committee would consist of one executive director, the chief internal auditor as well as three new appointees: One appointee would have a non-executive seat on the board of directors.

**Required:**

Discuss how the *formation of an audit committee* could address the issues raised in the above scenario. **(14 marks)**

- b) Auditors are regulated by professional bodies and should follow recognised auditing standards such as International Standards on Auditing (ISAs).

**Required:**

Explain why it is important for audits to be conducted in accordance with Auditing Standards that are common to all audits. **(6 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) Internal audit is a function established by management to assist in corporate governance by assessing internal controls and helping in risk management. It can be a department of employees or can be outsourced to expert service providers.

Internal auditing is different from external auditing, although the techniques used by both are very similar. While the technique used may be similar, the focus and reasons behind the audit are different.

**Required:**

Compare and Contrast the role of internal auditors and external auditors. **(10 marks)**

**b) Introduction**

Animo Company Ltd has been operating in the manufacturing sector for over a decade. The Company started as sole proprietorship managed by Daniel Opoku with his wife Daniella Opoku. Internal controls were weak and inadequate at the formative stage of the Company though the Company achieved significant growth over two decades due to consistent product quality and good customer relationship.

Daniella started her professional studies with the Institute of Chartered Accountants (Ghana) and advised Daniel Opoku to introduce the following internal controls over the sales cycle of Animo Company Limited.

To be able to meet increasing demand, the Company bought a huge manufacturing plant and six warehouses for storage of final products until they are despatched to the final customer. Sales ordering, goods despatched and invoicing customers have reference numbers that are unique to each customer. The company has a price list, which is updated quarterly to reflect the high inflation in the economy. Customers are entitled to a discount for bulk purchases. Sales threshold that attracts discount agreed by the sales director are set up within the customer master file.

**New customers**

A sales manager completes a credit application for new customers. The application is furnished to a credit support company for credit history about the customer. A credit limit is entered into the system by a credit officer. Once the order is entered an acceptance is automatically sent to the customer by post/email confirming the goods ordered and a possible date for despatch. The order is then sorted using the address of customers. The warehouse closest to the customer receives the order electronically and a despatch list and sequentially numbered goods delivery notes (GDNs) are automatically generated. The despatch list is used by the warehouse team to pack the goods and, before they are sent out, a second member of the team double checks the despatch list to the GDN, which accompanies the goods.

**Existing customers**

Sales orders are entered in the sales orders books with the details of the order not limited to the amount, type of toys and the quantity. The orders are entered by an order clerk and the “Sales

Soft” system automatically checks that the goods are available and that the order will not take the customer over their credit limit.

Once despatched, a copy of the GDN is sent to the accounts team at head office and a sequentially numbered sales invoice is raised and checked to the GDN. Periodically a computer sequence check is performed for any missing sales invoice numbers.

**Required:**

- i) Tabulate **FOUR** tests of controls the auditor would normally carry out on the sales system of Animo Company Limited, and state the objective for each test. **(8 marks)**
- ii) Describe **TWO** substantive procedures the auditor should perform to confirm Animo Company Limited’s year-end receivables balance. **(4 marks)**
- c) *ISA 265 Communication of deficiencies in internal control to management and those charged with governance* specifies control deficiencies to be communicated to those charged with governance and management.

**Required:**

State **THREE** items to be captured in a management letter. **(3 marks)**

**(Total: 25 marks)**

**QUESTION THREE**

- a) Anaba Sampson is an audit assistant of Global Accountants, a firm of Chartered Accountants. During the audit of a client’s account, for the year ended 31 December 2011, Anaba Sampson detected an error amounting to Ten Ghana Cedis (GH¢10.00) in respect to each interest payment which recurred a number of times. The Chief Accountant of the client advised Anaba not to request for passing any adjustment entry as individually the errors were insignificant. The company had 3000 deposit accounts and interest was paid half yearly.

**Required:**

- i) Describe **FOUR** factors affecting judgment about materiality. **(4 marks)**
- ii) Discuss the advice of the Chief Accountant. **(11 marks)**
- b) One of the basic assumptions underlying the preparation of financial statements is the *going concern concept* which assumes that the entity has the ability to continue to operate into the foreseeable future. However some events and conditions may cast doubt on the entity’s ability to continue as a going concern.

**Required:**

Describe **FIVE** financial events or conditions that may cast doubt about the going concern assumption of an organization. **(5 marks)**

- c) *ISA 520 Analytical procedures* provides guidance to auditors on the use of analytical procedures during the course of the external audit.

**Required:**

When using analytical procedures as substantive audit procedures, list and briefly explain with examples **THREE** factors to consider when determining the extent of reliance that can be placed on the results of such procedures. **(5 marks)**

**(Total: 25 marks)**

#### QUESTION FOUR

You are part of the audit team auditing the financial statements of Stainless Co. Ltd for the year ended 30 June 2017. The Company has a staff of 200. You have been asked to audit the wages and salaries expenses of the year.

**Required:**

- i) Describe the substantive procedures you would apply in your work. **(10 marks)**  
ii) Identify the objective that a substantive procedure seeks to achieve **(5 marks)**

**(Total: 15 marks)**

#### QUESTION FIVE

- a) Lexon Institute provides tuition for accountancy studies writing professional examinations. You are the audit manager of DAR and Co. Chartered Accountants. The following were identified during the financial audit of Lexon. Revenue is GH¢30m, Profit before tax is GH¢10 million and total assets is GH¢25 million.
- i) The regulator of the Accountancy profession has filed a lawsuit against Lexon Institute for GH¢3.9 million alleging a non-compliance with the Regulators rules and regulations for running a tuition center. This case is ongoing and will not be resolved prior to the audit report being signed. The matter is disclosed as a contingent liability. **(4 marks)**
- ii) Depreciation has been calculated on the total of land and buildings. In previous years it has only been charged on buildings. Total depreciation is GH¢2.5 million and the element charged to land is GH¢2 million. **(4 marks)**
- iii) Lexon Institute's computerised purchases is backed up daily, however for a period of three months the purchases records and the back-ups have been corrupted, and therefore cannot be accessed. Purchases for these three months amounted to GH¢4m. **(4 marks)**

**Required:**

Discuss each of these issues and describe the impact on the audit report if the above issues remain unresolved.

- b) *ISA 260 Communication with those charged with governance* requires that certain issues are communicated to those charged with governance. You are an audit manager of Adiepena and Co. Chartered Accountants and one of a junior staff has asked you about concerns that can be communicated to those charged with governance.

**Required:**

Explain **THREE** matters that could be communicated to those charged with governance.

**(3 marks)**

**(Total: 15 marks)**

## SOLUTION TO QUESTIONS

### QUESTION ONE

#### a) **Benefits of Ebaatsake Co of forming an audit committee**

- **Improved financial reporting**

Now that the financial director has left, the company appears to have no-one internal with appropriate financial reporting knowledge for a company which appears to be a considerable size (employing 2,500 staff).

The establishment of an audit committee should include recruiting personnel with financial reporting experience therefore improving the quality of financial reporting and allowing the board more time to concentrate on running operations, which is particularly important given their 'hands on' approach.

- **Strengthening the internal audit position**

Currently the internal audit position is poorly supported and reports directly to the board who do not understand the reports. As a result the control environment will be weak resulting in low motivation to monitor and maintain important internal controls.

The establishment of an audit committee will strengthen the position of the internal audit function, by providing a greater degree of independence from management. It should also promote the need for a strong control environment to the board, which should then lead to implementation of an appropriate internal control system.

- **Strengthening the position of the external auditor**

If internal audit findings are not understood, it is likely the same is true of deficiencies reported by external auditors Adoko & Co.

The audit committee, if established, will strengthen the external auditor's position by providing a channel of communication and forum for issues of concern.

- **Strengthening the independence of the external auditor**

The external auditors are currently appointed by the Ebaatsake board. This could result in a familiarity threat to the independence of the external auditors if they develop too close a relationship with the board over time.

An audit committee can recommend the appointment of the external auditors based on appropriate criteria only (quality of service, independence and competence for example). This will help prevent such an independence issue arising.



- **Non-executive director**

There are currently no non-executive directors and therefore, no independent advice given when making key decisions. Ideally there would be equal numbers of executive and non-executive directors; however the non-executive director appointed as part of the proposed audit committee may at least contribute an independent view.

- **Increased credibility**

The bank's concerns over financial reporting highlights the company's failure to follow best practice when it comes to corporate governance and it is already affecting relations with stakeholders.

Establishing the audit committee should increase public confidence in the credibility and objectivity of Ebaatsake's financial statements. It will also demonstrate to the bank that although Ebaatsake is not required to comply with specific corporate governance regulation, the company is prepared to take steps to move towards corporate governance best practice.

**(6 points @ 2.3 marks each =14 marks)**

**b) Importance of regulation**

- A variety of stakeholders might read a company's financial statements. Some of these readers will not just be reading a single company's financial statements, but will also be looking at those of a large number of companies, and making comparisons between them.
- It is important that the audit profession is regulated and that auditors follow the same standards because many of these readers want assurance that when making comparisons, the reliability of the financial statements does not vary from company to company.
- This assurance will be obtained not just from knowing that each set of financial statements has been audited, but from knowing that this has been done in accordance with common standards.

**(3 points @ 2 marks each= 6 marks)**

**(Total: 20 marks)**

## QUESTION TWO

### a) Internal and external auditors' roles contrasted

	<b>Internal Audit</b>	<b>External Audit</b>
1. Objective	To add value and improve an organisations operations	To express an opinion on the truth and fairness of financial statements.
2. Reporting	Reporting to the board of directors, or other people charged with governance, such as the audit committee, Reports are confidential between the auditors and the directors and management of the organisation.	Reports to the shareholders or members of a company on the truth and fairness of the accounts. Audit report is publicly available to the shareholders and other interested parties.
3. Scope	Work relates to the operations of the organisation.	Work relates to the financial statements.
4. Relationship with the Company.	Often employees of the organisation, although sometimes outsourced.	Independent of the company and its management. Usually appointed by the shareholders.

(4 points @ 2.5 marks each = 10 marks)

b)

### i) Tests of control and objective for each test for the sales cycle of Animo Company Limited

<b>Test of control</b>	<b>Objective</b>
Visit a warehouse and observe the goods despatch process to assess whether all goods are double checked against the goods despatch note (GDN) and the despatch list prior to sending out	To ensure that goods are despatched correctly to customers and that they are of an adequate quality.
Inspect a sample of GDNs and agree that a valid sales invoice has been correctly raised.	To ensure that all goods despatched are correctly invoiced.

Observe the sales order clerk processing orders and assess whether the order acceptance is automatically generated.	To confirm if sales orders are not entered manually for possible errors
Review the last system generated sequence check of sales invoices to identify any omissions.	To ensure completeness of income for goods despatched
Inspect a sample of orders to confirm that an order acceptance email/letter has been generated.	To ensure that all orders are recorded completely and accurately.
Attempt to process an order with a sales discount for a customer not normally entitled to discounts to assess the application controls.	Attempt to process an order with a sales discount for a customer not normally entitled to discounts to assess the application controls.
Confirm discounts applied to invoices agree to the customer master file.	To ensure that sales discounts are only provided to valid customers.
The auditor should attempt to enter an order for a fictitious customer account number. The system should not accept this order.	To ensure that orders are only accepted and processed for valid customers
Obtain a copy of the current price list and agree for a sample of invoices that relevant/current prices have been used.	To ensure that goods are only sold at authorised prices
Inspect a sample of processed credit applications from the credit support company and follow through the credit limit agreed to the sales system.	To ensure that goods are only supplied to customers with good credit ratings
With the client's permission, attempt to enter a sales order which will take a customer over the agreed credit limit, the system should reject the order.	To ensure that goods are not supplied to poor credit risks.

**(4 marks for 4 points for tests of controls + 4 marks for 4 objectives = 8 marks)**

**ii) Substantive procedures to confirm the receivable balance for Animo Company Limited**

- Review board minutes of Animo Company Limited to assess whether there are any material disputed receivables.
- Perform a positive trade receivables circularisation of a representative sample of Animo Company Limited's year-end balances, for any non-replies, with Animo Company Limited's permission, send a reminder letter to follow up.
- Select a sample of year-end receivable balances and agree back to valid supporting documentation of GDN and sales order to ensure existence.

- Inspect the aged receivables report to identify any slow moving balances, discuss these with the credit control manager to assess whether an allowance or write down is necessary.
- For any slow moving/aged balances review customer correspondence to assess whether there are any invoices in dispute.
- Review a sample of post year-end credit notes to identify any that relate to pre-year-end transactions to verify that they have not been included in receivables.
- Review the sales ledger for any credit balances and discuss with management whether these should be reclassified as payables.
- Review the after date cash receipts and follow through to pre-year-end receivable balances.
- Calculate average receivable days and compare this to prior year, investigate any significant differences.
- Review the reconciliation of sales ledger control account to the sales ledger list of balances.
- Select a sample of goods delivery notes (GDN) before and just after the year end and follow through to the sales invoice to ensure they are recorded in the correct accounting period.

**(Any 2 points for 4 marks)**

**c) Content of management letter**

- Transmittal or cover letter
- Executive summary
- Addressee
- Deficiencies
- Implication of deficiencies
- Recommendation
- Risk rating of deficiencies
- Conclusion

**(Any 3 points for 3 marks)**

**(Total: 25 marks)**

**QUESTION THREE**

a)

**i) Factors affecting the judgment about materiality**

- Relative concept as it depends on the size and nature of the item, judged in particular circumstances of its misstatements.

- Can be judged from the impact of the item at the overall financial statement level and/or at the individual account balance or class of transactions.
- Influenced by legal and regulatory requirements and
- Cumulative effect of small amounts may be material.

**(1mark each for any valid point made= 4 marks)**

- ii) Materiality has been defined by the standard, 'Audit Materiality' as an information whose misstatement could influence the economic decisions of the users taken on the basis of financial information. **(2 marks)**

In the situation given, the error, apparently, seems to be of small amount (GH¢10.00) and General Manager (Finance) is of the opinion it is, hence, not material and thus there is no need to pass any adjustment entry. The audit assistant should not accept the argument of the General Manager because there are 3000 deposit accounts and interest payment is quarterly. If the cumulative effect of these small amounts is considered, as per the requirement of the standard, error of GH¢10.00 which has recurred a number of times, may become material. **(7 marks)**

If considered "**immaterial**" it may cause an overstatement of income. Hence, the auditor should apply expanded substantive procedures to assess the cumulative effect of these small amounts. **(2 marks)**

- b) Events or conditions that may cast doubt about the going concern assumption (potential indicators that an entity is not a going concern)

**Financial**

- Net liability or net current liability position
- Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment
- Indications of withdrawal of financial support by creditors
- Negative operating cash flows (historical or prospective)
- Adverse key financial ratios
- Substantial operating losses or significant deterioration in the value of assets used to generate cash flows
- Arrears or discontinuance of dividends
- Inability to comply with terms of loan agreements
- Inability to pay creditors on due dates
- Change from credit to cash-on-delivery transactions with suppliers
- Inability to obtain financing for essential new product development or other essential investments.

**(1mark each for any five valid point made= 5 marks)**

c) **Factors to consider when assessing the reliance that can be placed on the results of analytical procedures.**

- **Materiality of the items involved**

If inventory balances are material, then auditors should not rely solely on analytical procedures.

- **Other audit procedures**

In the audit of receivables, other audit procedures such as the review of subsequent cash receipts may confirm or dispel questions arising from the application of analytical procedures to an aged profile of customers' accounts.

- **Accuracy of predictions**

Auditors would expect greater consistency in comparing the relationship between gross profit and sales from one period to the next than in comparing discretionary expenses such as research costs or advertising expenditure.

- **Frequency with which relationship is observed**

A pattern repeated monthly as opposed to annually (for example, payroll costs).

- **Assessments of inherent and control risks**

If internal controls over sales order processing are weak, and control risk is assessed as high, the auditors may rely more on test of individual transactions or balances than on analytical procedures.

**(3 marks for 3 points + 2 marks for examples = 5 marks)**

**(Total: 25 marks)**

## QUESTION FOUR

i) **Substantive procedures over wages and salaries**

1. Select sample of time record etc. and test casts and calculations.

2. Test sample of personnel records for

- Rates of pay
- Authorization of changes in rate of pay
- "Leaver" and "Joiners" personal details

3. Select pay rolls and;

- Check to time record etc. to ensure employees are only paid for work done.
- Test to personnel records to ensure employees exist and are being paid at the correct rate.
- Test casts and calculations with reference to tax and social security tables.
- Check that deductions are paid over to the tax authorities on time and that no unrecorded penalties may arise.

4. If a payroll control account is maintained check this with the nominal ledger.

5. Test totals of cheques drawn to net pay due to employees and tax authorities.

6. Test posting of payrolls to nominal ledger account.

**(2 marks each for any 5 valid points made = 10 marks)**

ii) **Substantive procedure** – The substantive procedures are audit tests designed to obtain evidence to verify balance of an account or a specific financial statement assertion. In other words, they test the validity and propriety of the accounting treatment of transactions. They can be classified as either test of details of transactions and balances or as analytical review procedures.

**They seek to achieve:**

- Existence that an asset or a liability exists at a given date,
- Rights and obligations that an asset is a right of the entity or is owned by the entity and a liability is an obligation of the entity at a given date,
- Occurrence that a transaction or event occurred and pertains to the entity during the relevant period
- Completeness that there are no unrecorded assets, liabilities or transactions
- Valuation that asset or liability is recorded at an appropriate carrying value
- Measurement that a transaction is recorded at the proper amount and revenue or expense is allocated to the proper period and
- Presentation and disclosure that an item is disclosed, classified and described in accordance with recognized accounting policies and practices and relevant statutory requirement, if any.

**(1 mark each for any five valid point made= 5 marks)**

**(Total: 15 marks)**

## QUESTION FIVE

a)

**i) Lawsuit**

- Lexon Institute is being sued by the Regulator for breach for non-compliance with rules and regulations for running tuition provision. This matter has been disclosed as a contingent liability. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, if the economic outflow to discharge the obligation is probable, then a provision must be recognised in the financial statements. If the economic outflow is possible, then a contingent liability must be recognised as the provision is material. A qualified opinion “except for” opinion should be given for non-recognition of provision or non-disclosure of contingent liability.
- Basis for qualified opinion should be placed immediately before the opinion paragraph in accordance with the requirements of ISA 705 Modification to the opinion in an independent auditor’s report, but after the opinion paragraph in line ISA 701 Key audit matters. This should explain the material misstatement in relation to either non-recognition of provision or non-disclosure of contingent liability.

- The lawsuit is for GH¢3.9m which represents 39% of profit before tax (3.9m/10m) and hence is a material matter. This is an important matter which needs to be brought to the attention of the users of the financial statements. The outcome of the case must be considered and its impact on the financial statements.

**(Any 2 points for 4 marks)**

#### **ii) Depreciation on land and buildings**

- Depreciation has been provided on the land element of property, plant and equipment and this is contrary to IAS 16 Property, Plant and Equipment, as depreciation should only be charged on buildings.
- The error is material as it represents 20% of profit before tax (2m/10m) and hence management should remove this from the financial statements. If management refuse to amend this error then the audit report will need to be modified. As management has not complied with IAS 16 and the error is material but not pervasive then a qualified opinion would be necessary.
- A basis for qualified opinion paragraph would need to be included explaining the material misstatement in relation to the provision of depreciation on land and the effect on the financial statements. The opinion paragraph would be qualified 'except for' – due to material misstatement.
- Basis for qualified opinion should be placed immediately before the opinion paragraph in accordance with the requirements of ISA 705 Modification to the opinion in an independent auditor's report, but after the opinion paragraph in line ISA 701 Key audit matters.

**(Any 2 points for 4 marks)**

#### **iii) Program for purchases**

- Lexon Institute's purchases program has been corrupted leading to a loss of purchases data for a period of three months. The auditors should attempt to verify purchase in an alternative manner. If they are unable to do this then purchase for the whole year would not have been verified.
- Purchases for the three month period represents 40% of profit before tax (4m/10m) and therefore is a material balance for which audit evidence has not been available.
- The auditors will need to modify the audit report as they are unable to obtain sufficient appropriate evidence in relation to a material, but not pervasive, element of purchases and therefore a qualified opinion will be required.



- A basis for qualified opinion paragraph will be required to explain the limitation in relation to the lack of evidence over three months of purchase records. The opinion paragraph will be qualified 'except for' – due to insufficient appropriate audit evidence.

(Any 2 points for 4 marks)

**b) Matters that could be communicated to those charged with governance**

- The selection of or/and changes in significant accounting policies that could have a material impact on the financial statement.
- Material uncertainties related to events and conditions that may cast significant doubt on an entity's ability to continue as a going concern.
- Earlier adoption of an accounting standards that will have pervasive impact on the financial statements
- Expected limitations on the audit either imposed by management or other circumstances.
- A request that uncorrected material misstatement to be adjusted in the financial statements.
- Any expected modification to the financial statement and reasons for such modification.
- The potential effect on the financial statements of any material risks and exposures such as pending litigation that are required to be disclosed in the financial statements.
- Significant deficiencies in internal control.

(Any 3 points for 3 marks)

(Total: 15 marks)

**DETAILED QUESTION-BY-QUESTION ANALYSIS OF PERFORMANCE**

Question One (1)	-	79.6%
Question Two (2)	-	85.14%
Question Three (3)	-	31.58
Question Four (4)	-	13.75%
Question Five (5)	-	15.00%

From the above analysis, it could be observed that questions three, four and five were badly answered by candidates whilst questions one and two were answered very well.

My group think that the areas covered by questions three, four and five should be critically looked at by both teachers and students. The Institute should also play a pivotal role to assist students to overcome their weaknesses.

Students mostly deviated in answering questions three, four and five. This indicated that candidates did not prepare well for those areas of the examination.

## CONCLUSION

In conclusion, I would state the following points that will go a long way to strengthen the Institute's examinations.

- More teaching and learning by instructors and students should be continued.
- A lot of mock tests should be conducted prior to the main examinations so that all rough edges could be smoothed.
- Students should practice more past questions on their own.
- The Institute's school should be opened in big towns where the examinations take place to prepare students for the examination. The Institute could also engage Ghanaian Chartered Accountants who are resident in Liberia to assist our Liberia students.
- The Institute can encourage the Distance Learning (DL) concept to aid students to prepare adequately for the examinations.
- Setters of questions should continue to set questions from the Institute's recommended texts and to a limited extent from current issues on Audit and Assurance.
- Lecturers at the Institute's schools should be paid their salaries promptly and on time so as to motivate them to give of their best to assist our students.
- Any other issues that will enhance and promote the examinations of our Institute.