

Question 1

- a) Examine factors which create the following threats to the fundamental ethical principles,
 - i. Intimidation threat. [5]
 - ii. Familiarity threat. [5]
 - iii. Advocacy threat. [5]
 - iv. self-review threat [5]
- b) Explain the measures which can be implemented to minimise the level of threats to fundamental ethical principles. [5]

Question 2

Assess the roles of the following structures in regulating the audit profession.

- (i) International Federation of Accountants. [9]
- (ii) Companies Act Chapter 24:03. [9]
- (iii) Professional accounting bodies [7]

Question 3

Discuss the determinants of audit quality. [25]

Question 4

You are auditing the consolidated financial statements of Multi-Stores Holdings a publicly listed entity operating in the retail sector. The entity has several subsidiaries locally and globally. The audit partners within your engagement team are new and are not sure of the procedures required to verify the following items:

- i) Non-controlling interests.
- ii) Goodwill.
- iii) Intercompany transactions on receivables and payables balances
- iv) Investing activities cash flows

Required:

- a) Explain the procedures which must be performed to verify items (i) to (iv) above. [16]
- b) Discuss the matters which must be considered by the principal auditor before placing reliance on the work of component auditors as required by ISA 600. [9]

Question 5

- a) Examine any five applications of forensic auditing. [10]
- b) Describe the tests one would perform in order to verify a possible case of tax evasion. [15]

Question 6

You are carrying out the audit of Mowbray Computers for the year ended 30 April 2020. The company assembles microcomputers from components purchased from the Far East and sells them to retailers, and to individuals and businesses by mail order. In the current year, there has been a recession and strong competition which has resulted in a fall in sales and the gross profit margin. This has led to a trading loss and the company experiencing going concern problems.

Required:

- a) Explain the factors which indicate that a company may not be a going concern. [16]
- b) Justify the audit opinion one would issue in respect of Mowbray Computers. [9]

END