



THE COUNCIL OF COMMUNITY COLLEGES OF JAMAICA

BACHELOR OF SCIENCE EXAMINATION

SEMESTER I – 2009 DECEMBER

PROGRAMME: BUSINESS STUDIES

COURSE NAME: AUDITING II
CODE: (ACCT4701)

YEAR GROUP: FOUR

DATE: MONDAY, DECEMBER 14, 2009

TIME: 1:00 – 4:00 PM

DURATION: 3 HOURS

EXAMINATION TYPE: FINAL



INSTRUCTIONS:

SECTION B: ANSWER ANY TWO (2) QUESTIONS FROM THIS SECTION.

SECTION B

Instructions: Answer any two (2) questions from this section.

Question 1

- a. List **three (3)** factors that have increased the importance of obtaining an understanding of a client's business and industry? How can an auditor obtain this understanding?
(7 marks)
- b. Explain **three (3)** primary reasons for obtaining a thorough understanding of the client's industry and external environment.
(6 marks)
- c. Discuss the **four (4)** primary purposes of analytical procedures performed during the planning phase of an audit.
(12 marks)

(Total 25 marks)

Question 2

- a. Distinguish between internal documentation and external documentation as types of audit evidence. Give **two (2)** examples of each. Which type is considered more reliable?
(10 marks)
- b. Discuss how each of the following influences the persuasiveness of evidence.
 - i. Relevance
 - ii. Independence of provider
 - iii. Effectiveness of client's internal controls
 - iv. Auditor's direct knowledge
 - v. Degree of objectivity

(15 marks)

(Total 25 marks)

Question 3

On September 1, 2008, Pee Nutz and Company made a decision to change auditors. The Company's financial statements were audited for the year ended December 31, 2007 by James, a chartered accountant. On September 15, 2009 the Board invited Hall, another chartered accountant to make a proposal for engagement to audit its financial statements for the year ended December 31, 2008.

Required

- a. What procedures concerning James should Hall perform before accepting the engagement? *(15 marks)*
- b. What procedures should Hall consider performing during the planning phase of this audit (after acceptance of the engagement) that would not be performed during the audit of a continuing client? *(10 marks)*
- (Total 25 marks)*

Question 4

- a) State the **five (5)** financial statement assertions giving the significance of each. *(10 marks)*
- b) What do you understand by the term audit objective as used in auditing of financial statements? *(5 marks)*
- c) State clearly what is meant by tests of details of transactions and balances and what is the objective of these tests? *(10 marks)*
- (Total 25 marks)*

END OF EXAMINATION