



**THE COUNCIL OF COMMUNITY COLLEGES OF JAMAICA**  
**ASSOCIATE DEGREE EXAMINATIONS**  
**SUMMER/ SUPPLEMENTAL – AUGUST 2008**

**PROGRAMME:** BUSINESS STUDIES  
**COURSE NAME:** AUDITING I  
**CODE:** (ACCT3301)  
**YEAR GROUP:** TWO  
**DATE:** FRIDAY, AUGUST 22, 2008  
**TIME:** 9:00 – 12:00 NOON  
**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) How do the duties of an internal auditor and an external auditor differ in relation to levels of independence and scope of work?  
**(4 marks)**
- b) Briefly explain **three (3)** limitations that an auditor may have in reaching conclusions with absolute certainty.  
**(6 marks)**
- c) In the context of rules of professional conduct and independence issues, state whether the following situations are acceptable:
  - i. An audit partner is the close personal friend of the chief accountant of a client firm Con Company Limited. The audit partner is not responsible for the audit of Con Limited.
  - ii. The audit fee from Esop ltd is \$150 000. The total audit fee of the audit firm is \$650 000.
  - iii. The audit senior in charge of the audit of Midland Bank PLC has a personal loan from the bank he pays interest rate of 6 % (regular rates of interest average 15 %).
  - iv. The audit staff of RobU garages receive free servicing of motor vehicles three (3) times per year.
  - v. The cousin of an audit assistant owns a shareholding of minimal value in a company audited by that assistant.

**(15 marks)**

**(Total 25 marks)**

### **Question 2**

- a) Why does an auditor assess the effectiveness of a company's internal control system?  
**(3 marks)**
- b) Describe fully **four (4)** types of internal control procedures giving an example of each.  
**(16 marks)**
- c) Discuss **three (3)** reasons why management may implement a system of internal controls.  
**(6 marks)**

**(Total 25 marks)**

**Question 3**

- a) Discuss **four (4)** factors that auditors should take into consideration when deciding to what extent reliance can be placed on evidence obtained. **(12 marks)**
- b) Discuss verification procedures an auditor could carry out to test the following:
- i. Ownership of premises
  - ii. Valuation of land
  - iii. Existence of fixed assets
- (9marks)**
- c) Distinguish between a qualified and an unqualified audit report **(4 marks)**
- (Total 25 marks)**

**Question 4**

- a) What are considered 'material items'? Why is calculation of materiality important? **(5 marks)**
- b) Describe some essential activities that are involved in the following stages of conducting an audit:
- i. Background research
  - ii. Preparation of the audit plan
  - iii. Internal control system review
  - iv. Substantive testing
  - v. Preparation and signing of the report
- (20 marks)**
- (Total 25 marks)**

**END OF EXAMINATION**