

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**EXAMINATION PAPER MAY 2016 ACADEMIC YEAR 2015/2016**

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<b>PROGRAMME OF STUDY</b>	<b>Bachelor of Commerce</b>
<b>YEAR OF STUDY</b>	<b>Year III (Full Time)/IDE</b>
<b>TITLE OF THE PAPER</b>	<b>Principles of Auditing</b>
<b>COURSE CODE</b>	<b>AC 316</b>
<b>TIME ALLOWED</b>	<b>Three (3) Hours</b>

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**INSTRUCTIONS**

1. There are **Four (4)** questions, ANSWER ALL.
2. Begin the solution to each question on a new page.
3. The marks awarded for a question are indicated at the end of each question.
4. Show your workings where necessary.

**NOTE:** You are reminded that in assessing your work, account will be taken of accuracy of the language and the general quality of expression, together with layout and presentation of your answer.

**THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR / SUPERVISOR.**

## QUESTION ONE

- a) What different categories of procedures (substantive procedures) does the auditor perform in obtaining appropriate sufficient audit evidence in each of the following cases. **12 Marks**

- The auditor sends out debtors letters of confirmation
- The auditor calculates the provisional tax payable by the enterprise and compares this with the figure calculated by the client
- The auditor calculates the monthly gross profit percentage of the enterprise and enquires into any deviations
- The auditor attends the annual stock count
- The auditor checks a calculation of a rebate on an invoice received from a creditor
- The auditor asks the financial manager of an enterprise whether there were any strikes during the year

- b) The auditor wants to test the operation of a client's internal control systems. What different categories of procedures (tests of control) does the auditor perform in obtaining appropriate sufficient audit evidence in each of the following cases.

**6 Marks**

- i. Who opens the incoming mail every day
- ii. Are purchases of equipment over a certain amount authorized by the purchasing manager
- iii. Does the bank balance agree with the balance in the accounting records- Explain what is meant by a positive confirmation **3 Marks**

- c) Explain why it is important that confirmations are sent directly to the auditor **4 Marks**

**(Total Marks 25)**

## QUESTION TWO

Mancwane limited is a building development company operating in the commercial development sector in Swaziland. Operations have recently expanded due to the steady economic growth in the country. As a result, management of Mancwane have invested in more building equipment to keep up with the expanding operations

The most substantial investment made during the financial year ended 31 December 2016, was the acquisition of a crane to the value of E4.5million. This acquisition was funded by a long term loan from Nedbank for E4.5million that was deposited into Mancwane ltd's bank account.

As the total investment in building equipment now represents the largest part of non-current assets in the statement of financial position as at 31 December 2016, management has decided to place more emphasis on internal controls over building equipment

You are a member of the audit team responsible for the 31 December 2016 year end audit of Mancwane ltd.

Required

- a. Name **five details** on the purchase contract that you will inspect during your audit of the acquisition of a new crane **5 marks**
- b. Name **four other source documents** that you will inspect during your audit of the acquisition of a new crane **8 Marks**
- c. Advise management of Mancwane ltd on the internal control measures that should be implemented to ensure good internal control over the purchase of new cranes, as well as over the existing building equipment **12 Marks**

**(Total Marks 25)**

## QUESTION THREE

Identify and briefly discuss the eight elements of which a standard auditors report for the audit of financial statements should consist of. **25 Marks**

## QUESTION FOUR

Independence is a state of mind that can be impaired by a number of potential threats. State and explain any **five threats** to independence faced by auditors.

**Total 25 Marks**

=====END of PAPER=====