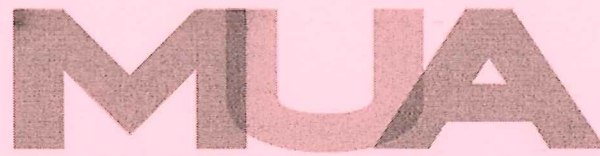


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF COMMERCE**

**ACC 421 : AUDITING AND INVESTIGATIONS**

**DATE: 8<sup>TH</sup> APRIL 2025**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

Your firm has been appointed as the new auditors for Rahamatt Ltd., a small-scale supermarket. The company has recently unearthed fraudulent activities perpetrated by employees leading to loss of credibility with its current and potential customers.

The fraud led to loss of company revenue which was brought about by a weak internal control system (ICS). The company has requested your firm to support it to improve its operations in order to avoid another fraud in future.

**Required:**

- a) Propose a five-step approach that you could adopt to identify deficiencies (ordinary and significant) including material weaknesses in the ICS of Rahamatt Ltd. **(10 marks)**
- b) Illustrate to the management of Rahamatt Ltd. FIVE responsibilities that they bear regarding evaluating risks of fraud in the company. **(5 marks)**
- c) Assess five types of revenue manipulations that the employees of Rahamatt Ltd. may have exploited in undertaking the fraud. With reference to the case study, formulate **(10 Marks)**

**QUESTION TWO**

Wangura Millers operates a milling business that procures maize supplies from local farmers as a community empowerment program. The company also recruits permanent and casual labour from the community who are paid salaries and wages respectively. You have been requested to undertake a verification of salaries and wages paid in the month of November 2022.

**Required:**

- a) Propose nine procedures that you would review to verify the salaries and wages before proceeding to verify payments made on account of salaries and wages. **(9 marks)**
- b) Differentiate between a "financial statement audit" and a "fraud examination". **(6 marks)**

**QUESTION THREE**

Smart Elec Ltd., one of your new clients, deals in locally manufactured and imported electric appliances targeting middle level income customers. Your Audit Manager has assigned you the task of verification of inventory which includes attending a stock take at your client's premises.

**Required:**

- a) Analyze five possible challenges that you are likely to encounter in the verification of inventory. **(5 marks)**
- b) In the context of the inherent limitations in both internal control and the audit process itself; assess five reasons why even a properly performed audit may not detect errors and fraud. **(5 marks)**
- c) Formulate the "FIVE Cs" of auditing applicable to your current assignment. **(5 marks)**

**QUESTION FOUR**

- a) Examine five characteristics of financial statement fraud. **(5 Marks)**
- b) In recent years, there has been a substantial increase in cybercrime occasioned by the reliance placed on technology by business entities. As a result, the effect of cybercrime on organizations is becoming highly significant in relation to financial statement audits. Assess the importance of cybersecurity in the context of ISA 315 (Identifying and Assessing the Risks of Material Misstatement). **(10 marks)**

**QUESTION FIVE**

Kazi Bure is an ordinary shareholder in Dumisani Ltd. He has instituted a criminal liability case against the auditors of Dumisani Ltd. as a result of his reliance on the information presented in the company's audited financial statements.

**Required:**

- a) Analyze five actions by an auditor that could make him criminally liable under the Companies Act in your jurisdiction **(5 marks)**
- b) Illustrate five conditions that Kazi Bure is required to prove against the auditors for a successful criminal liability case under the Companies Act in **your jurisdiction.** **(5 marks)**

c) Assess the role of the external auditor in fraud detection and prevention

(5 marks)

### QUESTION SIX

ISA 230 (Audit Documentation), requires auditors to prepare audit documentation for an audit of financial statements on a timely basis.

Required:

- a) Assess five benefits of documenting audit work. (5 Marks)
- b) Analyze five functions that could be performed by the internal audit department. (5 Marks)
- c) Formulate five types of working papers relied on by the auditor in generating the final audit report (5 Marks)