

AUDITING AU001

14/07/ 2025 8:30 AM – 11:30 AM

SUBJECT: AUDITING

OPTION : ACCOUNTING

DURATION: 3 HOURS

Names:
Index number:

S6 QUESTIONS and ANSWERS BOOKLET

**ADVANCED LEVEL NATIONAL EXAMINATIONS,
2024-2025**

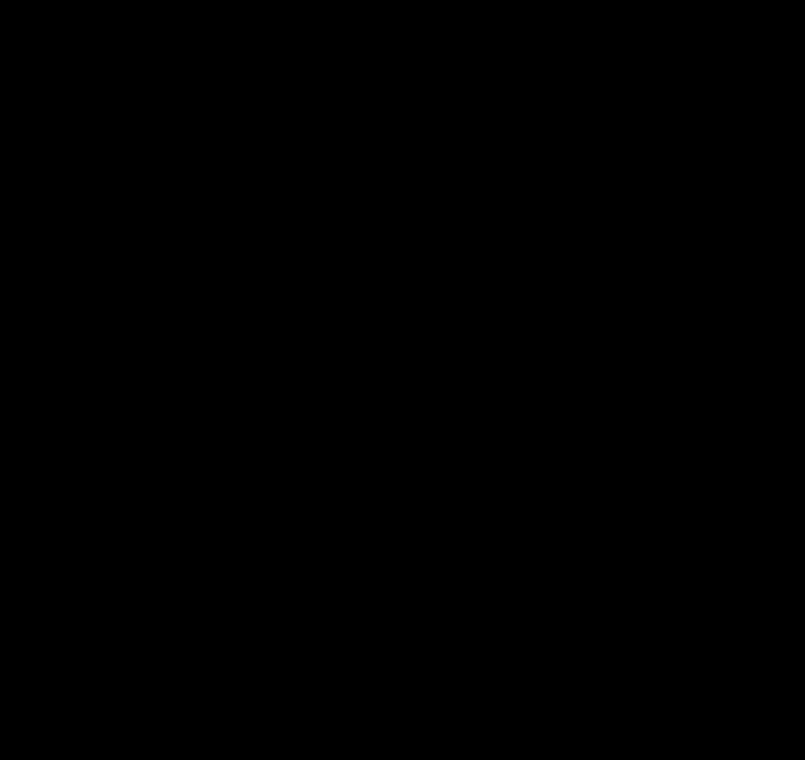
Instructions to candidates:

- Write your names and index number on the answer booklet as written on your registration form.
- Do not open this question paper until you are told to do so.
- This paper consists of **THREE** sections: **A**, **B** and **C**.
Section A: Attempt **ALL** questions. (40 marks)
Section B: Attempt any **THREE** questions. (30 marks)
Section C: Attempt any **TWO** questions. (30 marks)
- Use this question paper for answering
- Calculators may be used where necessary.
- Show clearly all the working. No marks will be given for answers which do not have all working steps.
- Use only a **blue** or **black** pen
- For all multiple choice questions, circle a letter corresponding to the correct answer (key)

TOTAL MARKS...../ 100

FOR EXAMINER'S USE ONLY

Questions	Marks	Questions	Marks
1		16	
2		17	
3		18	
4		19	
5		20	
6		21	
7		22	
8		23	
9		24	
10		25	
11		26	
12		27	
13		28	
14		29	
15		30	



Section A. Attempt all questions in this section (40 marks)

For all multiple choice questions, circle the letter corresponding to the correct answer.

- 1) Which of the following is the best definition of Auditing? **(2 marks)**
- A) Accounting conducted for the shareholders, government, or management of a company to examine independently the financial information?
 - B) A present obligation as a result of past events.
 - C) A present ownership as a result of past event.
 - D) An independent examination of books of accounts and vouchers of business with view of forming an opinion/judgment as to whether these have been kept properly according to the company's Act and as to whether or not the statements present a true and fair view of the financial position of a business.
- 2) Complete the following sentences using the following terms: Audit, Auditor, Auditing, integrity, subjectivity. **(5 marks)**
- A) is an official independent examination of the accounts or accounting systems of an entity.
 - B) is who authorized to examine and verify the books of account of an organization.
 - C) The use of professional opinions, beliefs or feelings by an auditor to form judgments or to make decisions in auditing is known as.....
 - D) An auditor should show by being straightforward, honest and sincere in his/her approach to his/her professional work.
 - E) is an independent examination of books of accounts and vouchers of business with view of forming an opinion/ judgment as to whether these have been kept properly according to the company's Act and as to whether or not the statements present a true and fair view of the financial position of a business.
- 3) State whether each of the following statements is **True** or **False**: **(5 marks)**
- A) An auditor must be independent of the company she/he is auditing to ensure objectivity and avoid conflicts of interest.....
 - B) The auditor of a company is typically appointed by the intrapreneur at the Annual General Meeting (AGM).

- C) A company is no need to appoint an auditor for each financial year to ensure compliance with regulations and financial transparency.....
- D) An auditor must be a licensed CPA (Certified Public Accountant) or an equivalent professional, depending on the jurisdiction.....
- E) An auditor is generally appointed for a specific period, often until the next AGM, unless re-appointed or replaced earlier.....
- 4) Match the following auditing standards with their corresponding title. **(5 marks)**

Auditing standard	Title of the standard
A) ISA 500	I. Forming audit opinion
B) ISA 230	II. Agreeing engagement terms
C) ISA 530	III. Audit sampling
D) ISA 210	IV. Audit documentation
E) ISA 700	V. Audit evidence

- 5) An error that involves complete failure to record the double entry of a transaction is known as: **(2 marks)**
- A) Error of principle.
- B) Error of commission.
- C) Error of original entries.
- D) Error of omission.
- 6) Which of the following is NOT a fundamental principle of auditing? **(2 marks)**
- A) Confidentiality.
- B) Stock revaluation.
- C) Integrity.
- D) Objectivity.
- 7) The primary objective of audit planning is: **(2 marks)**
- A) To identify fraud.
- B) To set up the audit team.
- C) To ensure the audit is conducted efficiently and effectively.
- D) To review financial statements.

- 8) How can the auditor ensure that the audit strategy is effective for a small retail store? **(2 marks)**
- A) By focusing equally on all areas of the store's operations.
 - B) By assessing the risks and tailoring the audit procedures to those risks.
 - C) By completing the audit as quickly as possible.
 - D) By relying only on the financial statements provided by the store.
- 9) Among the following alternatives, which one best corresponds to the definition of audit documentation? **(2 marks)**
- A) It is the principal record of auditing procedures applied, evidence obtained, and conclusions reached by the auditor in the engagement.
 - B) It is the procedure designed to detect material misstatements at the assertion level.
 - C) It is a pair of financial and non-financial data and the correlation between them.
 - D) It is all the information, whether obtained from audit procedures or other sources that is used by the auditor in arriving at the conclusion on which the auditor's opinion is based on.
- 10) If an auditor uses the client's internal control reports to assess the reliability of financial statements, which type of audit evidence is being used? **(2 marks)**
- A) Physical evidence.
 - B) Documentary evidence.
 - C) Analytical evidence.
 - D) Testimonial evidence.
- 11) The following are examples of sample selection methods used in audit sampling, **except:** **(2 marks)**
- A) Simple random sampling.
 - B) Convenience sampling.
 - C) Block sampling.
 - D) Systematic sampling.
- 12) One of the following is the primary purpose of the current audit file: **(2 marks)**
- A) To store client's historical financial records.
 - B) To document audit tests, procedures, and evidence for the current audit period.
 - C) To maintain the client's corporate structure.
 - D) To track management decisions and future recommendations.

- 13) Which one of the following is the primary benefit of maintaining an audit notebook during the audit process? **(2 marks)**
- A) It helps the auditor track billing hours.
 - B) It ensures all audit procedures are properly documented.
 - C) It provides a space for preliminary thoughts and issues that need further review.
 - D) It automatically generates the final audit report.
- 14) In an audit, the test of control for segregation of duties would primarily involve: **(2 marks)**
- A) Reviewing the personnel records of employees involved in financial transactions.
 - B) Assessing whether financial transactions are recorded accurately.
 - C) Inspecting accounting records for mathematical accuracy.
 - D) Verifying that no individual has control over both the authorization and recording of transactions.
- 15) If the balance of Revenue is 100,000,000 FRW, which of the following procedures would you adopt to confirm if the balance is correct? **(3 marks)**
- A) Perform analytical procedures to compare with industry trends.
 - B) Review sales contracts and test the cut-off to ensure revenue is recognized in the correct period.
 - C) Review the control accounts.
 - D) Conduct analytical review of transactions.

Section B: Attempt any THREE questions in this section (30 marks)

- 16) Specify the errors committed in the following transactions: **(10 marks)**
- A) The purchases of goods for 1,000 FRW from supplier not recorded in the purchases and the creditor's account.....
 - B) Goods sold to Mugisha on credit for 5,000 FRW are debited in the Mahoro's account.....
 - C) The purchases account was over added by 50 FRW and similarly, the sale account had also been over-added by 50 FRW.....
 - D) Receipt of cash from Karenzi 42,000 FRW is entered on the debit side of his account and credited in the cash book.....
 - E) Purchases of motor van posted to the expenses account instead of Motor Van A/C.....

- F) Iranzi, a book keeper, had posted correctly to the ledger 11, 200 FRW received from Mukono Ltd, but entered the amount in the cash book as 11, 020 FRW.
.....
- G) A cheque of 27,240 FRW received from a debtor was returned by the bank unpaid. This fact was recorded in his personal account in the ledger but not in the cashbook.....
- H) Cash sales worth 20,000 FRW was not recorded in the books of accounts.
- I) Purchase account over casted by FRW10, 000.....
- J) An invoice for 12,000 FRW from Mukunzi, a creditor, is recorded as 120,000 Frw.
.....
- 17) The international federation of accountants(IFAC) serves the public interest by contributing to the development of strong and sustainable organizations. Part of its mandate is development and implementation of high quality international auditing and assurance standards. By clearly indicating the title of the standard and area (s) to be covered by each of the ISA in audit, explain the following international standards on auditing (ISA).
- | | |
|------------|------------------|
| A) ISA 200 | (2 marks) |
| B) ISA 505 | (2 marks) |
| C) ISA 520 | (2 marks) |
| D) ISA 570 | (2 marks) |
| E) ISA 705 | (2 marks) |
- 18) An audit should cover many vouchers and areas of operations of an organization. For this to happen, the auditor must select representative samples of all transactions and vouchers for a given financial year being audited, using appropriate sampling methods.
Discuss any five importance of audit sampling during audit execution.
(10 marks)
- 19) A company, ABC Ltd, has hired an external auditor to conduct its annual financial audit. During the audit process, the auditor requested access to certain financial records, emails, and internal communication related to the company's financial transactions for the last fiscal year. However, the company's management has been slow in providing these documents, citing confidentiality concerns. The auditor, in turn, expresses their concern, highlighting that the relevant documents are essential for a thorough and accurate audit. The auditor

also points out that, under audit regulations, they have the right to access all necessary information to carry out their duties effectively. Evaluate and report any potential risks that could arise for company ABC Ltd, due to the fact that the auditor is unable to access the necessary financial records and internal communication related to the company's financial transactions for the last fiscal year. **(10 marks)**

Section C: Attempt any TWO questions (30 marks)

20) Audit evidence is essential for auditors to form an opinion on the financial statements. Auditors rely on various methods to collect sufficient, appropriate, and reliable evidence.

Recommend any five methods of gathering audit evidence. **(15 marks)**

21) An audit firm is hired to conduct an annual financial audit of a medium-sized manufacturing company, XYZ Ltd. The company wants to ensure that its financial statements, including the balance sheet, accurately reflect its true financial position. As part of the audit process, one of the key areas the auditors need to verify is the bank balances, ensuring that all cash and cash equivalents reported in the financial statements are accurate and reflect the actual amounts in the company's bank accounts.

Examine any five procedures the auditor should perform to confirm if bank balances are correct. **(15 marks)**

22) Describe any five types of audit opinions that auditor may give on completion of the audit engagement. **(15 marks)**

Space wherein to answer THREE questions chosen from section B (17,18,19)

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Space wherein to answer TWO questions chosen from section C (20,21,22)

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