

**UNIVERSITY COLLEGE TATI (UCTATI)****FINAL EXAMINATION QUESTION BOOKLET**

COURSE CODE	:	DTG 3473
COURSE	:	AUDIT
SEMESTER/SESSION	:	2 – 2023/2024
DURATION	:	3 HOURS

Instructions:

1. This booklet contains 5 questions. Answer **ALL** questions.
2. All answers should be written in answer booklet.
3. Write legibly and draw sketches wherever required.
4. If in doubt, raise your hand and ask the invigilator.

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO

THIS BOOKLET CONTAINS 6 PRINTED PAGES INCLUDING COVER PAGE

QUESTION 1

“Oh my! ” Gene Morse was stunned. He stared at the computer screen in his cubicle, unable to believe that he had found an unsupported entry for \$500 million in computer acquisitions. He immediately took his discovery to his supervisor, Cynthia Cooper, vice president for internal audit at WorldCom. “Keep going,” directed Cooper. Her team of internal auditors kept digging. They worked late into the night to avoid detection, concerned that they would be fired if superiors found out what they were doing. They burned data onto CDs because they feared the data might be destroyed.

- (a) Describe the meaning of auditing (2 Marks)

- (b) Present **FOUR (4)** main elements required in the nature of auditing (8 Marks)

- (c) Present **FOUR (4)** reasons that the decision makers are more likely to receive unreliable information (8 Marks)

- (d) Illustrate the relationship among auditor, client and external users (2 Marks)

QUESTION 2

Big Four international firms. The four largest CPA firms in the United States are called the “Big Four” international CPA firms.

These four firms have offices throughout the United States and throughout the world. The Big Four firms audit nearly all of the largest companies both in the United States and worldwide and many smaller companies as well

- (a) Identify **TWO (2)** out of four (4) largest CPA firms in the United States
(2 Marks)
- (b) Present **THREE (3)** main activities of CPA firms
(6 Marks)
- (c) Identify **EIGHT (8)** general standards of the Generally Accepted Auditing Standards
(8 Marks)
- (d) Illustrate the relationship of the GAAP
(4 Marks)

QUESTION 3

Barry Minkow was a true "whiz kid." He started ZZZZ Best Company, a highflying carpet cleaning company specializing in insurance restoration contracts, at the age of 16. In 1982, when Minkow started the business, it was run out of his garage, but a mere 5 years later he had taken the company public and it had sales of \$50 million and earnings of more than \$5 million. The market value of Minkow's stock in ZZZZ Best exceeded \$100 million.

As it turned out, Minkow's genius lay not in business but in deception. Instead of being a solid operating company, ZZZZ Best was an illusion. There were no large restoration jobs and no real revenues and profits. They were only on paper and supported by an effective network of methods to deceive shareholders, the SEC, and the reputable professionals who served the company, including its auditors. Many, including members of Congress, asked, "How could this happen? Where were the auditors?"

- (a) Identify the objective of conducting an audit of financial statements and an audit of internal controls (2 Marks)
- (b) Present **FIVE (5)** steps in developing the audit objectives (10 Marks)
- (c) Interpret **THREE (3)** reasons on the responsibility of the auditor to obtain a reasonable but not absolute assurance (6 Marks)
- (d) Illustrate the relationship among transaction cycles (2 Marks)

QUESTION 4

- (a) List **THREE (3)** main reasons for preparing the audit planning (3 Marks)
- (b) Determine **EIGHT (8)** requirements in planning an audit and designing an audit approach (8 Marks)
- (c) List **TWO (2)** formulas of profitability ratios (4 Marks)
- (d) List **FIVE (5)** major types of analytical procedures (5 Marks)

QUESTION 5

- (a) Present **THREE (3)** types of common financial ratios (6 Marks)
- (b) Examine **THREE (3)** steps in applying materiality (6 Marks)
- (c) Present **FOUR (4)** components of audit risk model (8 Marks)

-----End of question-----