

# KASNEB

ATD LEVEL III

AUDITING

TUESDAY: 24 May 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

## QUESTION ONE

- (a) Discuss five groups of users of audited financial statements. (10 marks)
- (b) Explain five ways in which the independence of an auditor might be compromised. (10 marks)
- (Total: 20 marks)**

## QUESTION TWO

- (a) Define the following terms:
- (i) Detection risk. (2 marks)
- (ii) Control risk. (2 marks)
- (iii) Teeming and lading. (2 marks)
- (iv) Analytical review. (2 marks)
- (v) Substantive tests. (2 marks)
- (b) Discuss five methods an auditor could use to gather audit evidence. (10 marks)
- (Total: 20 marks)**

## QUESTION THREE

- (a) Describe five general control procedures for cash and bank. (10 marks)
- (b) Discuss five inherent limitations of an internal control system. (10 marks)
- (Total: 20 marks)**

## QUESTION FOUR

- (a) Highlight two benefits of audit planning. (2 marks)
- (b) You have been appointed the lead auditor of ABC Ltd. As part of the audit, you are required to prepare an overall audit plan.
- Required:**
- (i) Summarise ten areas you might consider in preparing the overall audit plan. (10 marks)
- (ii) Explain four likely limitations of the audit plan. (8 marks)
- (Total: 20 marks)**

## QUESTION FIVE

- (a) List six advantages of a computerised accounting system. (6 marks)
- (b) Highlight six reasons why an auditor might audit around the computer. (6 marks)
- (c) Outline eight elements of an audit report. (8 marks)
- (Total: 20 marks)**
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