UGANDA INSTITUTE OF INFORMATION AND COMMUNICATIONS TECHNOLOGY
END OF SEMESTER I EXAMINATION ACADEMIC YEAR 2024/2025

DEPARTMENT	**:**	**MANAGEMENT**
YEAR OF STUDY	**:**	**TWO**
PROGRAM	**:**	**DBA**
COURSE	**:**	**PRINCIPLES OF AUDITING & ETHICS**
COURSE CODE	**:**	**ACF 2102**
DATE	**:**	**WEDNESDAY 11TH DECEMBER, 2024**
TIME	**:**	**9:00-12:00 HOURS**
DURATION	**:**	**3 HOURS**

INSTRUCTIONS:

i. This paper consists of **TWO** sections, **SECTION A & B**
ii. Answer **FIVE (5)** Questions in all.
iii. Section A is **COMPULSORY**, Answer any **FOUR** questions from **Section B**
iv. Credit will be given for the use of relevant examples and illustrations.
v. Mobile phones are **NOT** allowed in the exam room.
vi. **DO NOT** write anything on this question paper, rough work should be done in the answer booklet and cancelled through.
vii. Start a new number on a new fresh page.

SECTION A: (THIS SECTION IS COMPULSORY)

Question One

a) State the main principles of auditing. **(02Marks)**
b) List two types of audits. **(02 Marks)**
c) Mention two types of audit evidence. **(02 Marks)**
d) State two responsibilities of an auditor. **(02 Marks)**
e) What is the purpose of an internal control system in auditing? **(02 Marks)**
f) Define the term 'audit report'. **(02 Marks)**
g) Mention any two audit techniques used by auditors. **(02 Marks)**
h) State the importance of independence in auditing. **(02 Marks)**
i) What is the meaning of substantive testing in auditing? **(02 Marks)**
j) How does an auditor evaluate financial statements? **(02 Marks)**

Section B (Attempt any Four questions this section)

Question Two

a) Explain the different users of audited books of accounts **(10 Marks)**
b) Distinguish between a fraud and an error as used in auditing **(04 Marks)**
c) Explain the different categories of internal controls used in organizations. **(06 Marks)**

Question Three

TechCo, a medium-sized technology firm, is experiencing significant growth. They specialize in developing software solutions for businesses. Recently, the company expanded its operations globally, and with this expansion, it became essential to ensure their financial records, operations, and compliance processes are in order. TechCo's management decided to undergo an audit to assess their internal controls, financial statements, and compliance with regulations.

Required:

i) Which type of audit would be most beneficial for TechCo in ensuring long-term sustainability, and why? **(04 Marks)**
ii) Discuss the advantages and disadvantages of each audit type in the context of their business needs. **(16 Marks)**

Question Four

a) You are a newly appointed audit manager at XYZ Accounting Firm, and you are tasked with explaining the advantages and disadvantages of an audit programme to a client. The client is considering whether to implement a formal audit programme for their internal auditing process. **(10 Marks)**
b) As part of your role as an audit manager, you are required to prepare an engagement letter for a new client. The client has asked you to clearly explain what an engagement letter is and the specific contents that should be included in the letter. **(10 Marks)**

Question Five

ABC Ltd. is a well-established company involved in manufacturing electronic gadgets. The company has been growing rapidly, and with increasing complexity in its financial operations, the board of directors has decided to appoint a new external auditor. They believe this will ensure that the financial statements

accurately reflect the company's operations, ensuring compliance with legal standards and providing shareholders with reliable information. The board of directors of ABC Ltd. meets to discuss the selection of an auditor. After a thorough selection process, they appoint XYZ Auditing Firm, known for its expertise in auditing large-scale businesses. The appointment is made for a term of one year, and XYZ Auditing Firm will conduct the audit for the financial year ending December 31st.

After the appointment, XYZ Auditing Firm begins the process of reviewing ABC Ltd.'s financial records. As part of their duties, they perform a detailed analysis of ABC Ltd.'s accounting systems, internal controls, and transactions. During the audit, the firm discovers discrepancies in the financial statements, which may indicate possible misstatements or fraudulent activities. XYZ Auditing Firm is now in a position where they must fulfill their duties and rights to ensure transparency and accountability. They have the responsibility to report these findings to the board and shareholders. The auditors must decide how to handle the discrepancies found in the financial statements, ensuring that their actions are in line with legal and professional standards.

Required

a) What is the role of the board of directors in the appointment of an external auditor for a company like ABC Ltd.? **(02 Marks)**
b) Explain any Four rights of XYZ Auditing Firm during the audit process. **(08 Marks)**
c) Describe Five primary duties XYZ Auditing Firm's has as the appointed external auditor of ABC Ltd. **(10 Marks)**

Question Six

a) You are an auditor assigned to review the internal control system of a medium-sized retail company, ABC Retailers. The company has recently experienced issues with inventory mismanagement, which has affected the accuracy of their financial reporting.

   Required: You are tasked with explaining the five key objectives of the internal control system to the management, particularly focusing on how these objectives can help prevent such mismanagement in the future. **(10 Marks)**

b) You are conducting an internal audit for a manufacturing company, XYZ Ltd., and are tasked with evaluating the effectiveness of their internal control system. The management is particularly concerned about the controls over procurement and payments, as they have recently faced instances of unauthorized purchases and delayed payments.

   Required:

   Explain five main elements of an effective internal control system and how these features can help address the company's concerns. **(10 Marks)**

Question Seven

a) State two essentials of a working paper in the auditing process. **(02 Marks)**
b) Describe Four situations that may warrant an auditor to issue a qualified opinion. **(08 Marks)**
c) How can computer-based auditing help auditors detect fraud and errors more efficiently than manual methods? **(06 Marks)**
d) Explain two roles played by continuous auditing in managing risk for organizations **(04 Marks)**

MERRY X-MASS AND HAPPY NEW YEAR